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THE EIGHTIES

Iconoclasts at work

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Wednesday December 27 1989

World News

Gorbachev agrees to head mission to Lithuania

Mikhail Gorbachev, the Soviet leader, postponed a potentially disastrous split in his ruling Communist Party by agreeing to lead a top-level mission to the Baltic republic of Lithuania to head off its threatened secession. Page 12

Samuel Beckett dies

Samuel Beckett, the Irish novelist and playwright who made France his home, died on Friday at the age of 83 and was buried in Paris. Page 12

Lebanon attacked

Israeli forces struck deep into Lebanon in two separate raids which the military said were aimed against Lebanese Communist Party bases involved in launching attacks on Israeli troops and their local allies in Southern Lebanon. Page 12

Chinese dismissed

Zhu Houze, a senior Chinese trade union official linked to liberal policies, has been removed from his post. Page 2

Chun faces charges

Former South Korean President Chun Doo-hwan will testify before the National Assembly soon on charges of misconduct, corruption and human rights abuses stemming from his seven-year rule. Page 2

Blaze at Exxon plant

A fire at the second largest oil refinery in the US has been brought under control 15 hours after a massive explosion crippled the Exxon plant and killed one worker. Page 2

Israeli budget

The Israeli Government has earmarked \$500m shekels (\$266m) in the next financial year to cope with an anticipated wave of immigration by Soviet Jews. Page 2

Poland signs loan

Poland has signed a crucial loan package with the IMF that will help it switch to a western free-market style economy. Page 3

Britain lags behind

British defence companies lag behind their competitors in developing the alternative products needed to preserve jobs in the face of political change in east Europe, a trade union leader said. Page 6

House market slump

The sluggish UK housing market is set for a further slump next year, but should experience a modest recovery in 1992, according to the Halifax Building Society, Britain's biggest home mortgage finance organisation. Page 6

Arabs attacked

Axe-wielding Palestinians set fire to an Israeli bus taking Arab workers from the occupied West Bank to jobs in Israel but all 50 passengers escaped without injury, the driver said. Page 17

History rethink

East Germany has scrapped school history books glorifying its disgraced former Socialist leaders and is completely rethinking the teaching of history, the official ADN news agency said. Page 17

Czech prison unrest

Unrest has spread among inmates at three Czechoslovak prisons demanding an amnesty and improved conditions, according to a report on Czechoslovakian radio. Page 16

US condemned

Marxist Angola condemned the US invasion of Panama and called on Washington to pull its troops out of the Central American country. Page 17

Rebels gain ground

Rebels in northern Ethiopia said they killed, wounded or captured 1,000 government troops when they seized the towns of Rabel and Mehal Media in Shoa province. Page 16

Before hopeful

Swedish arms company Bofors said it remained hopeful it would win a major new contract from India despite the threat to bar the company from further defence deals. Page 17

Sydney drugs find

An American tourist and his Australian companion appeared in court in Sydney after customs officers found them wearing girdles holding 7,500 tablets of the drug Ecstasy, with an estimated street value of \$20,000. Page 17

Business Summary

Japanese central bank lifts discount rate to 4.25%

Japanese bankers, businessmen and investors welcomed the Bank of Japan's decision to raise the Official Discount Rate by 0.5 percentage points to 4.25 per cent ending uncertainty about the key monetary policy instrument. Page 12

CAMPEAU: many of the retailing empire's US apparel suppliers and wholesale merchants said they would suspend shipments of goods after the company's announcement on Friday that Citibank, its lead banker, had threatened to call a technical default on \$2.3bn of debt. Page 15

FRENCH current account deficit reached a seasonally adjusted FF28.6bn (\$1.45bn) in the third quarter, an improvement on the FF27.7bn shortfall in the previous three months, according to Finance Ministry estimates. Page 2

KUWAIT pledged investment in China following a visit to the Gulf State by Chinese President Yang Shangkun. Page 2

OECD's Japan report: OECD warned disruptions of international financial markets, similar to Black Monday in October 1987, could occur unless Japan continued to reduce its current account surpluses. Page 4

BRITISH car market, which was buoyant through 1989, will slow down next year as the squeeze on consumer spending and high interest rates increase consumer caution, a trade society said. Page 4

JAPANESE budget: government ministers are to meet today to discuss revisions to the draft of the 1990-91 budget, designed to maintain the country's growth without over-stimulating the economy. Page 4

ROVER Group, car making subsidiary of British Aerospace, is to strengthen links with schools in a bid to encourage youngsters to go into engineering. Page 4

BRITISH Petroleum cancelled the sale of its remaining US coal assets six months after putting them on the market as part of a worldwide divestment exercise. Page 16

BOEING of the US plans to lay off about 1,200 workers despite orders for \$650m of its airliners and is very keen to stretch into the mid-1990s. Page 15

BANCO Santander, Spain's largest largest bank, said its shares were likely to start trading in Tokyo at the end of January after the Tokyo Stock Exchange approved the first listing of a Spanish bank in Japan. Page 15

FUTURES Markets: Foreign involvement in Japanese stock index futures contracts should grow next year from its current level of 2 per cent, according to a report. Page 16

ANTAF Overseas Holdings, part of a Malaysian investment group, is taking a 32.5 per cent stake in Unigroup, a UK timber, building products and clothing company. Page 17

DWYER, the property investment and dealing company, reported a 55 per cent increase from \$2.1m (\$8.4m) to \$3.24m in pre-tax profits in the year to September 30. Page 17

PACIFIC, Alean Alumatum and Maclean Hunter, the communications group, joined a parade of Canadian companies adopting "poison pills" to protect themselves from creeping takeovers and predators. Page 16

ROYAL Bank of Scotland Group agreed to sell 76 per cent of AT Mays, its travel agency subsidiary, to Carlson, one of the largest travel companies in the US. Page 17

SKANDINAVISKA Enskilda Banken signed the European portion of a \$2.5bn Euro-commercial paper programme. The US portion was signed earlier this year. Page 16

US computer industry, already battered by intensifying overseas competition and rapidly changing technology, is now at the mercy of a slowing domestic economy and lower capital spending. Page 18

NISSHO Iwai, big Japanese trading company, bought zinc and titanium mines in Australia for A\$240m (\$190m). Page 15

NORTH SEA: drilling for oil and gas in the UK sector of the North Sea is expected to reach record levels in 1990, a review published by James Capel, London stockbrokers, said. Page 4

Romania swears in new Communist Government

By John Lloyd and Judy Dempsey in Bucharest and Quentin Peel in Moscow

A COMMUNIST-dominated provisional Government for Romania was sworn in yesterday less than 24 hours after President Nicolae Ceausescu and his wife, Elena, were executed by an army firing squad. Almost immediately the new administration received the blessing of President Mikhail Gorbachev, the Soviet leader, who congratulated the new leader, Mr Ion Iliescu, on his election as chairman of the National Salvation Front.

The message said that Mr Iliescu "took charge of the country at a difficult moment, when Romanian patriots resolutely came out to save the nation from forces of despotism and terror."

However, the first signs of tension are already appearing in the alliance between military and political leaders who combined to overthrow the Ceausescu dynasty. Protesters in Bucharest yesterday rejected Mr Iliescu's appointment to head the Government, and a string of other Communists as leading members of the administration. A large crowd which had gathered in Palace Square in front of the party headquarters, yesterday condemned the Government, chanting: "No more communism, down with the Communist Party."

Romanian television yesterday broadcast pictures of the bodies of President and Mrs Ceausescu, reportedly filmed moments after they were executed by a firing squad. The couple were shown on television being tried for conducting genocide against the Romanian people.

Several countries were quick to criticise the new Government for executing the Ceausescus without a public trial, and said that Romania should live by the rule of law. The strongest criticism came from the US Administration which said that it regretted that the trial "did not take place in an open and public fashion."

According to Romanian radio and other sources, the Securitate forces, loyal to President Ceausescu, were surrendering en masse yesterday, apparently convinced of their defeat by news of the executions.

However, sporadic gunfire still rang through parts of the city. Other reports, Page 12; Editorial Comment, Page 10; Romania's revolution, Page 10



New leadership confer: President Ion Iliescu (left) and Communist Party Central Committee Secretary and placed under police surveillance after criticising the Ceausescu regime. He was spokesman for the National Salvation Front, which has been acting as the Romanian government since the collapse of Ceausescu's rule.

The Ceausescus were tried according to 'their law'

By John Lloyd

THE trial and execution of Nicolae and Elena Ceausescu were described yesterday by a small group of reporters, by Captain Michael Lupoi, a member of the original 51-strong Committee of National Salvation.

The captain, standing in the ruins of the former President's rooms in the Central Committee building, smiled and laughed often as he talked about the Ceausescus' end. There seemed little doubt from the details he gave that he had been witness to much of what he described.

The Ceausescus were captured on Christmas Day, 60 miles from Bucharest, according to Capt Lupoi, after the helicopter in which they had fled was forced to land.

With them was General Naita, described by Capt Lupoi as a chief of police. The general, who was taken away separately by helicopter, was reported by the captain to have died when the helicopter

was shot down by its own side. The Ceausescus were taken by road to an army base which the captain would not name and almost immediately put before a specially convened military tribunal; they were tried according to the law. "Their law," said Capt Lupoi, laughing.

Both were offered defence lawyers which both refused. The six President demanded that they be tried before the National Assembly because he did not recognise the competence of the court. They were granted.

They were put against a wall and shot by an officer and two soldiers at 4pm on Christmas Day; their bodies, lying crookedly against the wall, were videoed and that video was broadcast yesterday afternoon on Romanian television.

That, it seems, after the flurry of false reports of arrest and escape and arrest again, really was the end.

The trial lasted two hours. The sentence - never in doubt - was death by shooting. According to Capt Lupoi there was a competition among the soldiers to make up the firing squad when the death sentence was pronounced. It was at this moment that Elena Ceausescu said: "But I have been a mother to you!" To which soldier retorted: "You have been a mother who killed her brothers."

Their last wish was to die together: a wish which was granted. They were put against a wall and shot by an officer and two soldiers at 4pm on Christmas Day; their bodies, lying crookedly against the wall, were videoed and that video was broadcast yesterday afternoon on Romanian television.

That, it seems, after the flurry of false reports of arrest and escape and arrest again, really was the end.

Daiwa told to suspend corporate business for two days

By Robert Thomson in Tokyo

JAPAN'S Ministry of Finance yesterday ordered Daiwa Securities, the country's second largest stockbroker, to suspend business for two days in its corporate customer division, which is at the centre of allegations that the company secretly compensated favoured customers for stock trading losses of more than ¥10bn (\$70m).

The ministry also demanded that the company review its management structure and not raise new capital for a short but unspecified period.

Daiwa said four employees would resign, 12 executives would take a 10 per cent pay cut for between three months and a year and 35 senior officials would not receive their scheduled end-of-fiscal-year bonus in March.

The broker has admitted covering the losses incurred in 1978-80 by about 20 corporate clients and that the losses were disguised by a complex arrangement in which shares were sold through an unlisted subsidiary. The ministry had requested that the company correct financial statements for 1988 to reflect the losses.

The company formally apologised for causing a negative social impact, although it is believed that the Ministry of Finance could not prove that the company had made a pledge of loss-compensation in advance of the clients' share purchases - a pledge that would have violated Article 80 of the Japanese Securities and Exchange Law. Daiwa has insisted that it did not give advance guarantees to the customers.

The case has embarrassed Japanese financial authorities, which are conscious of the country's image as an international financial centre.

Foreign brokers have suggested that, while the Daiwa case involves allegations that are several years old, the company is probably not the only Japanese broker to have engaged in such transactions.

Daiwa executives said yesterday that they would attempt to ensure that similar practices would not recur. The company said the timing and form of the suspension, which will affect the investment services and corporate finance departments, had not been decided, although it is likely to take place next

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OECD survey, Page 4



Noriega: seeking asylum

US seeks to freeze assets held by Noriega

By Tim Coone in Panama City and Nancy Dunne in Washington

The US will today ask other nations to freeze the assets of General Manuel Noriega, Panama's ousted dictator, who has taken refuge in the Vatican mission in Panama City.

"We will be taking steps tomorrow to freeze Noriega's bank accounts in a number of foreign countries," said Mr David Runkel, a spokesman for the US Justice Department.

He estimated that Noriega, who is wanted in the US on drug-trafficking charges, took more than \$10m in drug-related proceeds out of Panama.

Mr Runkel said legal papers would be filed today in at least six - but fewer than 12 - foreign nations, seeking a freeze on Gen Noriega's assets. "We will be on their doorsteps in the morning," he said. He declined to name any of the nations, though he said most were European.

General Noriega sought asylum at the embassy of the Papal Nuncio in Panama City on Christmas Eve, as organised resistance by regular Panamanian troops to the US invasion gradually collapsed.

Monsieur Juan Sebastian Laboa, the Papal Nuncio, said over the weekend that Gen Noriega would not be surrendered to the US Government, and an embarrassing stand-off has developed. The nuncio has been ringed with US troops and armoured cars.

General Noriega has requested political asylum in Spain and Cuba, but Spanish diplomats in Panama have ruled out their country as a place of exile for the ousted leader. The Peruvian government offered him asylum.

Cuba has indicated that it Continued on Page 12
Analysis, Page 2

Vauxhall looks set for record 65% profits growth in 1989

By Kevin Done, Motor Industry Correspondent, in London

Vauxhall, the British motor manufacturer and subsidiary of General Motors of the US, is expected to report a net profit of £151.9m last year, up from £92.5m in 1988, an increase of 65 per cent from £152.4m in 1988.

Vauxhall's net profit is understood to have increased to more than £200m from £151.9m last year. It has achieved a record sales and has emerged as the fastest-growing leading car maker in the UK new car market.

The company's financial performance has been transformed in the last three years, after two decades of almost continuous losses. It will pay corporation tax for 1989 for the first time in 20 years.

In 1989 to 1991, Vauxhall managed a marginal net profit in only two years, 1971 and 1978. From 1979 to 1988 the company ran up accumulated losses of £280.5m.

Following a drastic reduction in its operations since the late 1970s and helped by a buoyant UK car market, the company returned to profit in 1987 with a net income of £151.9m last year. It has reported a net profit of £151.9m last year, up from £92.5m in 1988.

In the two years 1987-88, Vauxhall made more profit than in its entire previous history since it was taken over by GM in 1925.

The company's turnaround, combined with the readiness of its workforce at Ellesmere Port, north-west England, to accept a far-reaching package of labour reforms, means that Vauxhall's Merseyside site is also emerging as the leading candidate for GM's next big European investment project, a £150m engine plant.

GM Europe's increasing sourcing of components from the UK - it has transferred about £450m of business to UK suppliers in the three years 1986-88 - has been one of the factors behind Vauxhall's improving profitability, and the siting of a large components plant in the UK would accelerate this process.

Vauxhall officials expect a decision in the first quarter of 1990. Ellesmere Port has been competing for the project with GM's Kersland plant in West Germany.

Vauxhall has enjoyed a record year in 1989 and has succeeded for the first time in ousting Rover from second place in the UK car market.

It increased its car sales volume by 16.7 per cent to 335,646 in the first 11 months compared with a 4.3 per cent increase in the overall market. In November, the Vauxhall Cavalier emerged as the single best-selling model in the UK, the first time the Ford stronghold on the top position had been broken since early 1988.

Vauxhall is expected to have sold nearly 350,000 cars in the UK this year - a record level - compared with 303,555 last year. It is aiming to achieve a "marginal" increase in UK car sales in 1990.

UK car makers fear slowdown, Page 4

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Stretching the limits to make a merger work

"We wanted to build a brand new company," explains Bob Bauman (left), manager of a demanding, round-the-clock effort to reorganise Smith-Kline Beecham, the drugs and consumer products giant formed in July. Page 6

Japan's Big domestic market, not barriers, keeps imports low 4

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OVERSEAS NEWS

Chinese liberal dismissed from top union post

By Our Foreign Staff

ZHU HOUZE, a senior Chinese trade union official linked to liberal policies, has been removed from his post, it was announced yesterday.

Zhu was dismissed as vice president and first secretary of the state-controlled All-China Federation of Trade Unions on Monday, Gongren Ribao, the Workers' Daily said.

The paper gave no reason for his dismissal, and an ACFU official said it was a "normal personnel change". The official would not say if Zhu, who held the ACFU post for a little more than a year, had been moved to a new job.

It was the second time in recent years that Zhu has apparently run into trouble as a result of a conservative backlash against pressures to make the party and government more open and democratic.

He was fired as head of the Communist Party propaganda department in February 1987, less than a month after party chief Hu Yaobang was ousted for failing to stop pro-democracy student demonstrations.

Zhu was thought to have supported Hu's stance that the party should become more tolerant of dissent.

State radio quoted Premier Li Peng as saying the 72, more time for his other responsibilities in the State Council, China's cabinet.

Yao's main hold on power rests in his position on the elite six-man standing committee of the Communist Party, politburo, China's top decision-making body organ.

Yao, considered a close ally of Li and, like the premier, a strong advocate of more central planning in the economy, has taken a leading role in enforcing an austerity drive to curb inflation.

Panama's nationalism lies in ruins

The US invasion has undone the Torrijos legacy, writes Tim Coone

IN FRONT of the shattered Amador barracks in Panama lies the tomb of General Omar Torrijos.

The proponent of Panamanian nationalism, the destroyed Panamanian Defence Forces and the Revolutionary Democratic Party of Panama, there is now little left of his legacy. Only the 1977 Canal Treaty he negotiated with the Carter administration remains. Even that now has a dubious validity. "He must be turning in his grave," said a foreign reporter visiting the scenes of the first hours of fighting of last week's US invasion.

But although the invaders were cheered as liberators by most Panamanians, and the despised General Manuel Noriega was ousted from power, resistance is continuing and neither the US troops nor the new government of President Guillermo Endara have succeeded in re-establishing law and order.



US Defence Secretary Cheney, left, with President Endara and Vice-President Calderón, right

Almost a week after the beginning of the invasion, US troops are still present in Panama City, almost non-existent except for those guarding strategic points. The havoc wrought by the breakdown of law and order and the inability or unwillingness of the US invasion forces to do anything about it has inflicted infinitely more damage on the economy than destruction wrought by the fighting. Looting losses are estimated at hundreds of millions of US dollars.

There are scenes of anarchy and chaos in all the shopping centres of Panama City. Practically every store in the city has been looted. Bands roam the streets in stolen cars loaded with bags of stolen goods, looking to ransack stores for anything of commercial value. Broad sectors of Panamanian society have participated in the free-for-all. One middle-class woman who was stealing shoes from a shop along the formerly elegant Via Espana shopping district had the wheels from her car stolen by other looters.

In many middle-class neighbourhoods vigilante groups have sprung up and erected

barricades manned by people armed with pistols, shotguns and hunting rifles to prevent looters from robbing homes. Deaths are mounting.

The foreign diplomatic community is furious about the lack of protection given to their embassies. Several embassy buildings have been attacked by looters; the Brazilian embassy has been ransacked.

According to US military commanders their orders are to concentrate on military targets.

Meanwhile, shortages of food and medical supplies are becoming serious problems throughout the country. Queues of up to a thousand people have formed outside the few supermarkets that have not yet been looted. The dire conditions facing the Panamanian population contrast sharply with the relative luxury in which US troops have conducted their invasion. A half-eaten US military ration of apple cinnamon cake, still in its special plastic tray, lies in the rubble of a destroyed neighbourhood in Panama City. A few metres away, there are still dead civilians in the smouldering rubble, days after the US bombardment of the nearby headquarters of Gen Noriega killed them.

Gen Noriega has given himself up but the war is far from

over. Senior US military officers are now "seriously concerned" about reports of PDF units and militias regrouping north-west of Panama City.

West European diplomats point out that the new government of Mr Endara is composed almost entirely of white faces, the so-called "Rabbi-blancos" of the upper classes of Panamanian society whom General Torrijos despised. "They are white oligarchs," said one.

The success and popularity of Gen Torrijos, although he was a military dictator for 13 years following a coup in 1983, sprang from bringing status and social mobility to the black and mixed-race majority of the Panamanian population. "He bought health, education and housing to them," said one diplomat. Public sector employment was greatly expanded.

The task of economic reconstruction is an urgent priority for the new government but given its right-wing orientation, resources are likely to be channelled via the private rather than the public sector. This will alienate many public sector employees who face layoffs.

After the imposition of US economic sanctions, the country's GNP suffered a 25 per cent drop in 1988 and a further substantial fall during 1989. "Even if the level of economic

activity returns to pre-1987 levels and an annual growth rate of 3 per cent is achieved it will take 10 years to recover living standards achieved earlier this decade," said an EC diplomat in Panama.

A rapid economic recovery is, however, essential if class and political tensions are not to resurface. Mr Guillermo Ford, the new Planning Minister, has said that \$400m held in escrow accounts in the US and owed to the Panamanian Government is being released immediately. But all that money flowing back into the economy could cause severe inflationary problems.

With the corrupting influence and power of Gen Noriega out of the way, the path is cleared for left-wing and Marxist elements to assume leadership of the resistance forces. If at the same time President Endara attempts to roll back the profound changes brought about by the Torrijos society as a result of 21 years of nationalist rule, 13 of them under the populist Gen Torrijos, the latter's ghost may be back to haunt him.

Even US troops recognise the power of Gen Torrijos' image. A US army public relations officer said that during the fighting for Amador barracks US troops were instructed to avoid hitting the general's tomb. They did not.

Singh to take action on Bofors scandal

INDIA'S new Government, alleging the Swedish Bofors arms company paid bribes to win a 1987 contract, said yesterday that it would do no more business with the company until it named Indians who took money. Reuter reports from Delhi.

Indian news agencies quoted Mr Vishwanath Prasad Singh, the Prime Minister, as telling Parliament he had also asked Swiss and Swedish authorities for help investigating the \$1.25bn deal.

"Let it be shown clearly that there is no delaying on this issue and no compromise," said Mr Singh, who defeated Mr Rajiv Gandhi's Congress party in last month's election, campaigning largely on charges over the Bofors deal.

Mr Singh said Sweden had agreed to produce a 1987 report by the Swedish Audit Bureau on the Bofors contract. In October the Swedish Government turned down a request by Mr Gandhi's Government to hand over the report, whose findings have been only partially disclosed. Sweden said it was for Bofors to clarify details of the transaction.

Yugoslavia sets up stock exchange

Yugoslavia yesterday set up a stock exchange in the northern city of Ljubljana, the official Tanjug news agency said. AP-DJ reports from Belgrade.

The new exchange was founded with a total capital of 100 million Yugoslav dinars, and that 152 stocks representing more than 50 per cent of its capital were owned by 23 Yugoslav banks.

The exchange will list Yugoslav and foreign companies and will publish the so-called YUX - the Yugoslav Index - of average closing prices of selected stocks at the close of each trading day.

A capital and securities market was established last month in Belgrade in keeping with reformist policy of Mr Ante Markovic, the Prime Minister, who is intent on introducing Western market mechanisms into the economy.

Algeria's FLN purges the old guard

Veteran politicians were excluded from the leadership of Algeria's ruling National Liberation Front (FLN) party on Monday when its politburo was elected by a large majority. Reuter reports from Algiers.

The new politburo confirmed President Chadli Benjedid's decision to liberalise the political system. The FLN, which has ruled Algeria in a one-party system since independence in 1961, is now one of more than 80 political parties.

The party's newly elected committee elected a 15-member politburo and re-elected Mr Abdelhamid Mehri secretary-general.

Comoros parties form unity pact

The main political groups in the Comoros Islands, ruled briefly by white mercenaries after President Ahmed Abdallah was assassinated a month ago, agreed on Monday to form a provisional national unity government, Reuter reports from Moroni.

The groups decided at a meeting that the provisional government should organise a multi-candidate presidential election, ending single party rule in the Indian Ocean islands. The meeting also agreed to proclaim an amnesty for all political prisoners and open an inquiry into the death of the President.

Ethiopian charged over coup bid

Fourteen high-ranking officers implicated in a coup attempt against Ethiopia's President Haile Mengistu Mariani last May were charged yesterday with attempting to overthrow the government, Reuter reports from Addis Ababa.



Tutu urges Israelis to forgive Nazi holocaust

South African Archbishop Desmond Tutu yesterday urged Israelis to forgive the Nazis for killing 6m Jews during World War Two and condemned the historically persecuted people for oppressing Palestinians. Reuter reports from Jerusalem.

Archbishop Tutu, on a Christmas pilgrimage to the Holy Land, told reporters he would continue to criticise Israel's occupation of the West Bank and Gaza Strip even if it meant being called anti-Semitic and "black Nazi pig".

Israeli vandals wrote "Tutu is a Nazi" in black marker on the wall of the Israeli Religious Affairs Ministry before the archbishop met the minister Mr Zevulun Hammer there yesterday.

On Monday, they wrote "Tutu is a black Nazi pig" on the wall of St George's Anglican Church in East Jerusalem, where he celebrated Christmas mass.

Tutu said after visiting the Yad Vashem Holocaust Memorial that he would relay the following message to the children of victims of Nazi persecution: "We pray for those who made it happen, help us to forgive them and help us so that we in our turn will not make others suffer."

Archbishop Tutu, who said on Monday that the struggle between Palestinians and Jews mirrored that between blacks and whites in South Africa, compared the starvation and ghetto life of Jews during the holocaust with that of blacks living under apartheid.

Later the Nobel peace prize winner told reporters: "When I find injustice and oppression anywhere in the world, whoever perpetrates it must know that I will condemn them and if I am accused of being anti-Semitic, tough luck."

Coalition bill of \$256m for immigration

By Hugh Carnegie in Jerusalem

THE Israeli Government has earmarked 500m shekels (\$256m) in the next financial year to cope with an anticipated wave of immigration by Soviet Jews which is now widely acknowledged to pose a profound challenge to the country's fragile economy.

The 54.4bn shekels 1990-91 budget approved by the coalition cabinet on Monday carries the usual hefty allocation for defence spending, stretched for the third year running by the cost of policing the Palestinian uprising in the occupied territories. The budget - still to be approved by the Knesset - foresees a deficit of 2.5bn shekels, or about 3 per cent of GNP, a significant improvement on that expected for 1989-90 - if it is achieved.

Senior government officials freely acknowledge that all their budget sums could be thrown out by immigration - including a modest planned shift away from direct indirect taxation.

The 500m shekels spending set aside for immigrant absorption is based on an estimate that 40,000 Soviet Jews will come to Israel next year. But monthly arrival figures have leapt recently, already approaching such an annual rate. The Jewish Agency, which shoulders much of the absorption burden, reckons 250,000 will come within four years, swelling a present population of 4.5m.

A combination of fear emigration policies under President Gorbachev, poor economic conditions, a fear of a resurgence of anti-Semitism and tougher entry restrictions by the US - the preferred destination for the vast majority - has pushed increasing numbers of Soviet Jews to head for Israel at a time of little growth and high unemployment in the Jewish state.

The extra funds next year will be spent on new housing and other infrastructural needs, subsidised mortgages, language training and other provisions. The inflow may help push up growth next year after a stagnant 1988, but may also spur annual inflation currently at 20 per cent.

US oil refinery fire brought under control

By Our Foreign Staff

A FIRE at the second largest oil refinery in the US was brought under control yesterday, two days after an explosion crippled the plant and killed one worker.

Sunday's blast and the subsequent fire destroyed eight storage tanks holding more than 4m gallons of fuel oil and lubricants and two separator units which receive water from oil at Exxon's 455,000 barrel-a-day refinery in Baton Rouge, Louisiana, company officials said.

The only larger plant in the US is an Exxon plant in Baytown, Texas.

The cause of the blast, which killed one and injured four, was still being investigated. A gas release, perhaps brought on by record cold temperatures, was suspected to have caused the accident, said plant manager Ed Galante.

Exxon said the blast damaged some internal pipelines but the plant's producing facilities were not affected. The company did not know when production would resume.

Contract volumes were not expected to be interrupted, Exxon said, because the company's units in Texas and New Jersey could take up any slack. A tanker of heating oil left Baton Rouge recently and the next tanker will not leave until January.

But the accident, the latest in a series of incidents at oil and petrochemical installations, raised expectations of a rise in prices.

There were fears that the explosion and fire could strain an already tight market for fuels.

Heating oil futures rose, building on the strong demand brought about by the bitterly cold US weather.

February heating oil was up two cents at 70.89 cents a gallon on the New York Mercantile Exchange yesterday while limitless January oil jumped nearly four cents to 85.75 cents.

Windows were broken in a shopping centre in Baton Rouge several miles away and there were reports of looting.

Papal Nuncio steps out into the limelight

THE VATICAN'S man in Panama will be playing a role far more than in all but the publicity which now surrounds it, writes David Gardner.

Throughout more than two years of crisis between the US and General Manuel Noriega's regime, Monsignor José Sebastián Laboa, the Papal Nuncio, has been the most valuable intermediary available.

A wise and worldly Basque Jesuit, Msgr Laboa several times came within an ace of reaching a negotiated solution between Gen Noriega and Washington. His negotiations were conducted with the utmost discretion.

The Nuncio's modest residence on one corner of Panama City's bay became a mandatory stop for visiting and local US officials who often enough had to wait for Gen Noriega's emissaries first to withdraw. No single person in Panama commanded more respect.

In the course of the conflict, the Nunciature has given asylum to ministers in the government of former President Eric Delvalle, to the new President Guillermo Endara, and now Gen Noriega himself.

Msgr Laboa is also the very active doyen of the diplomatic corps in Panama. Prior to this posting, he had made the larger part of his career in Rome.

Though he has taken full account of the personalities involved, Msgr Laboa has

pushed and ordered away from the windows. Senior US military officers told the journalists it was too dangerous to allow them into Panama City. An option was given of flying back to the US, on a military flight. More than 140 journalists chose to do so.

Finally, on Saturday afternoon, those who remained were permitted to leave the US bases and venture into Panama City.

Accurate casualty figures, both military and civilian, are thus hard to come by. Official US casualty figures of 23 soldiers dead and 308 wounded after one week of fighting are being seriously questioned.

Concern over news management by US military

ONE of the more disturbing issues raised by the US invasion of Panama has been the deliberate effort by the US armed forces to control the release of information to the press. The way of journalists attempting to obtain information independent of the US invasion forces, writes Tim Coone.

On the first two days of the invasion, that some 800 journalists, including the FT's correspondent, were permitted to fly into the Howard US Air Force Base in Panama on charter flights from Miami and San José in Costa Rica.

For a further 36 hours we were held virtually as prisoners on US military installations in Panama, where given very limited information on what was happening and access to only a half a dozen telephones to file our stories. Many of us were unable to meet deadlines.

At Howard Air Force Base, no food apart from popcorn was available.

The journalists were restricted to only two rooms in one building, and only two telephone lines were provided. When dead US soldiers were brought on to the base, TV cameramen and photographers were

French current account deficit narrows slightly

By William Dawkins in Paris

THE FRENCH current account deficit reached a seasonally adjusted FFR8.6bn (€910m) in the third quarter, a slight improvement on the FFR7.7bn shortfall in the previous three months, Finance Ministry estimates showed yesterday.

Within that, the surplus on the services account showed a marked rise, helped by the country's successful tourist industry. However, there was still a steep overall deterioration in the current account over the first three quarters.

The cumulative current balance of payments total in the nine months to September reached a deficit of FFR1.3bn after adjusting for normal month-to-month variations, against a shortfall of FFR2.4bn in the same period of last year. That includes visible and

Kuwait pledges new investment in China

KUWAIT has pledged investment in China following a two-day visit to the oil-rich Gulf State by Chinese President Yang Shangkun officials reported yesterday, AP reports from Kuwait.

Yang left for Oman, the last leg of a Gulf tour which started in the United Arab Emirates.

He is seeking to cement China's foothold in the region and boost economic aid from the conservative Arab states to offset a Western boycott following Peking's spring crackdown on China's democratic movement.

Kuwait established diplomatic relations with China in 1971, the first Gulf states to do so.

It also boasts extensive overseas investments, with some already diverted into projects



Yang, seeking foothold

Sabah, and Yang agreed to expand economic cooperation.

The Kuwait Fund for Arab Economic Development, the government's lending agency, agreed to finance six more development projects in China, including a \$30m airport, the officials reported.

The fund is financing 12 projects, worth more than \$300m, in China.

Kuwait and Chinese officials signed two protocols, one for economic and technical cooperation and the other for averting double taxation, to upgrade the legal and technical framework of their cooperation.

The records were signed by Kuwait Finance Minister Jassem al-Khorafi and his Chinese counterpart, Wang Bingqian, at the end of a meeting of the Chinese-Kuwait Commission on Economic and Technical Cooperation.

The appointment of Kuwait's Oil Minister, Sheikh Ali Khalifa al-Sabah, as the head of the team assigned to escort the Chinese leader indicated the growing co-operation between the two countries in the oil and gas sectors, according to Western diplomats.

The state-owned Kuwait Petroleum Corp. headed by Sheikh Ali, is currently carrying out exploration work in China.

On the political front, the minister for court affairs, Sheikh Khalid al-Ahmed al-Sabah, said that talks between Jaber and Shangkun covered international developments.

Chun to answer misconduct charges in Seoul

FORMER President Chun Doo-hwan will testify before the National Assembly soon on charges of misconduct, corruption and human rights abuses stemming from his seven-year rule, officials said yesterday, AP reports from Seoul.

The ruling Democratic Justice Party said the disgraced leader had received a summons to testify on December 31.

Chun left office in February 1988 after turning over power to former associate Roh Tae-woo, who was elected president two months earlier.

Chun's predecessor, Choi Kyu-hab, also was expected to testify before the assembly, the ruling party said.

Choi, 70, served briefly as a figurehead president in late 1979. He was succeeded by Chun, who seized power in an internal army coup.

Roh and the opposition announced agreement Dec. 15 on the testimony and other measures aimed at resolving disputes over Chun's rule.

South Korean politics have been plagued by public demands to clear the legacy of Chun's authoritarian rule to pave the way for a more open government and greater democratic reforms.

Under the accord, former army general Lee Hui-sung and former defence minister Chung Ho-yeon were expected to resign from politics before Chun testifies.

Lee is head of a state-run company, and Chung is in the National Assembly.

A total of 46 people, including relatives of Chun's family, have been convicted of corruption and power abuse.

Chun went into rural exile at a remote Buddhist temple in November 1988 after apologising to the nation for misuse and misconduct and surrendering \$24m in unused political funds.

Chun was expected to answer questions about human rights abuses, corruption and misconduct in office.

He also was expected to have to answer questions about his alleged role in using the military to quell a 1980 civil uprising in the southern city of Kwangju. By official count more than 1,500 were injured and 200 killed.

Many critics argue that the uprising, the bloodiest in modern Korean history, was used by Chun and his associates to seize power in the chaotic days that followed the 1979 assassination of President Park Chung-hee.

Radicals and dissidents have staged violent protests to demand that Chun be arrested and punished. The main opposition parties have publicly promised not to raise more Chun-related issues once their demands are met.

Dissidents have denounced the agreement as a sell-out.

French current account deficit narrows slightly

invisible foreign trade results, plus unilateral transfers such as the repatriation of foreign workers' savings and France's payments to the European Community budget.

In crude unadjusted figures, however, the third quarterly current account deficit showed a sharp reduction to FFR11m, from FFR2.3m in the previous three months, or from the FFR2.5bn shortfall shown in the third quarter of 1988. This reflects a rise in the cumulative surplus on the services account, from an unadjusted FFR25.2m to FFR43.3m.

Meanwhile, the visible goods sector, still a worrying feature of the French economy, put in a worse performance, where the unadjusted nine-month deficit rose from FFR942m in 1988 to FFR722m this year.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1985=100)					
	Nov '88	Oct '88	Sept '88	Nov '88	% change over previous year
Japan	105.9	106.9	106.0	106.3	+2.5
USA	117.0	118.8	118.2	118.8	+4.8
UK	104.9	104.7	104.3	104.8	+3.0
FR	123.9	122.9	121.9	121.1	+7.6
Italy	114.0	113.8	113.3	113.0	+8.6
Belgium	126.9	126.4	125.2	125.0	6.8
	108.4	108.5	107.4	108.5	+3.6
% change over previous year					
	Oct '88	Sept '88	Aug '88	Oct '88	
Netherlands	102.1	102.0	101.5	100.7	+1.4

Source: (except US) Eurostat

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ROMANIA

● SECURITATE
Diehards slip away as army fans out

By Judy Dempsey

AFTER days of shooting and the loss of several thousands of lives the Romanian army is slowly asserting its grip on the country. But the victory is far from over.

For the time being, the army, helped by civilian armed revolutionary committees, has set up road blocks and security checks throughout the country.

Members of the Securitate, the dreaded and reviled secret police, have already given themselves up in some cities, such as Iasi in the east of the country. As a result, some Romanians are optimistic, but others remain sceptical.

After 25 years of intense training and indoctrination, the Securitate will remain a force for many more months. No official figures are available as to how many members have given themselves up or have been killed in the fierce street fighting and nobody knows how many cells actually remain.

Mr Ion Vlad, chief of the Securitate, who moved over to the National Council of Salvation, was asked at the weekend by Romanian television how the Securitate was organised. He shrugged his shoulders and said he did not know.

But it is now emerging that the Securitate was divided into four anti-terrorist units. One of them was under Mr Nicolae Ceausescu, the other under his wife, Elena, and one under his son, Nicu. The other unit was a highly-trained force consisting of around 40,000 men, many of whom were brought up in combat.

In addition, the organisation still retains a vast network of underground passages and safe houses. An engineer who once worked on the monumental Palace of the Republic, Mr Ceausescu's gift to the people, said the palace was specially designed to allow escape routes for the Securitate.

In addition, the Securitate still retains a vast network of underground passages and safe houses.

The fact remains that, several hours after Romanian television broadcast the execution of the Ceausescus, snipers were still shooting close to my hotel. "They have not yet been defeated," said a young hotel assistant.

And not only in Bucharest, the nerve-centre of the revolution, does the Securitate still operate. Beyond Bucharest, the other party centres are in Timisoara, a short drive from the Yugoslav border; in Arad, just south of the Hungarian border; in Cluj, the centre of the Hungarian minority; and in Brasov.

The citizens of Timisoara have been exposed to repeated gun and sniper fire, which recurs late in the evening. In Arad, the secret police seem to have gone into hiding. In Cluj, however, the fierce fighting which erupted last Thursday night has quietened down.

There is one other question sceptical Romanians are asking. When I asked a Romanian diplomat based in Vienna whether a Securitate cell was still in the embassy, he replied: "The day Ceausescu was lifted out on the helicopter, they disappeared. We do not know where."

East European defence attaches in Bucharest firmly believe that Securitate members who are based abroad, not only in embassies but in foreign trade organisations, Tarom (the national airline), the tourist agencies and its own intelligence units abroad, are all now waiting.

True, their leader has been killed, no longer issuing orders from his underground bunker. But even had Mr Ceausescu died a natural death, it is becoming increasingly clear that the Securitate would have fought on.

● THE FUTURE
Quartet of leaders faces task of reconstruction

By Judy Dempsey in Bucharest

ROMANIA'S provisional Government faces the uphill task of rebuilding the country after a quarter century of economic, social and political neglect. But its immediate short-term aim will be to restore order as quickly as possible.

This was the message spelt out by the Council for National Salvation, which was set up after Mr Nicolae Ceausescu was ousted from power on Friday. The Government rests on three planks: members of the Romanian Communist Party, a cross section of the country's tiny dissident community who for years have suffered under the Ceausescu regime, and the army.

But probably the most respected man is Mr Ion Iliescu, who now heads the Council for National Salvation. Born in 1926, he is the son of a Communist, who was a member of the illegal Communist movement before the Second World War.

He quickly rose to be chairman of the Romanian students' association, and later secretary of the central committee of the Union of Romanian Working Youth from 1955 to 1960.

His career remained unremarked during the 1960s when, after working for several years in the central committee, he was appointed first secretary of the Young Communist League and later was made Minister of Youth in 1967.

This was the time when Mr Ceausescu, who had been in power for two years, embarked on a cautious and short-lived programme of liberalisation aimed at wooing the population, particularly the intelligentsia.

During that period, which lasted until about 1971, Mr Iliescu continued to climb up the party ranks, becoming central committee secretary for propaganda and education from February until July 1971.

By then, the "law" was over. But despite this, Mr Iliescu managed to survive, becoming first secretary of the party organisation in Iasi, an important university centre in the east of the country.

He was even appointed a non-voting member of the powerful political executive committee (the equivalent of the politburo) in 1974, later becoming a member of the state council in 1979.

It was then that he started to break links with the party's unwavering loyalty to Mr Ceausescu. After he returned from the Soviet republic of Moldavia, he was demoted to chairman of the National Water Council, during which time he wrote numerous articles implicitly criticising the country's environmental



peasants' party. Romania's first non-Communist political party since the Communists took over in 1947 announced its formation yesterday following the overthrow of Nicolae Ceausescu, Reuter reports from Bucharest.

The National Christian Peasants' Party aimed to achieve the nation's "moral rehabilitation on a Christian and peasant foundation, which for 2,000 years proved to be the Romanian nation's backbone", the Romanian news agency Agerpres reported.

Committee members included writer Doina Cornea, poet Ion Alexandru, Aurel Dragos Manușea and Marin Sorocan, actor Ion Caramitza, historians Paul Schuster and Alexandru Zub and academician Ion Măzulea, as well as Orthodox Bishop Justinian Maranescu and Roman Catholic Bishop Ioan Robu.

In fact, unlike the other Communist countries in Eastern Europe, there was no functioning party.

As soon as the new Government was elected, there were tiny groups of people in the centre of Bucharest demanding that the party be disbanded completely. In reality, there is no such party, and whether the new leadership will even bother to discuss its leading role remains to be seen. Far more important, however, is establishing law and order, an awesome task for this new and brave quartet.

Peasants' party

Mr Iliescu, however, will need much support from his other allies. The Number Two, who is now Prime Minister, is Mr Petre Roman. Little is known about him except that he is understood to be the son of Walter Roman, a senior member of the Communist party in the 1950s.

Mr Roman is expected to try to establish some solid economic programmes as soon as possible and leave defence matters to the new Minister for Defence, Mr Nicolae Militaru. The latter was an important

general in the Romanian army who, during the revolution of Friday and Saturday, quickly moved over to the side of the National Council of Salvation. His main task will be to continue the rooting out of Securitate members and to equip the army with modern weapons.

The other most important man in this quartet is Mr Dumitri Mazilu. He is well known to the United Nations and to other Western organisations for his repeated criticisms of the country's human rights record.

Last year he tried to deliver to the United Nations in Geneva a specially drawn up report on the condition of human rights in Romania. He was prevented from doing so recalled to Romania and placed under 24-hour house arrest, constantly surveilled by two car-loads of security men.

During the riots in Timisoara last Wednesday night, Mr Mazilu was taken by the Securitate from his home to barracks south of the city. But he was unexpectedly released, and since then has been catapulted into power.

He will play an important part in re-establishing Romania's relations with foreign countries. More importantly, he will have to act swiftly to set up firm contacts between Western human rights organisations and other European countries to re-establish Romania's place in the continent.

But the Government, while it seems optimistic and determined to reassure the population that it is going to establish order as quickly as possible, has one other factor with which it must contend. This is the future of the Communist party.

Since 1971 it has not really existed as a party. Although it has 3.5m members out of a population of 21.5m, the party was always under the thumb of the Securitate. There were no party secretaries, no teachers, no editors, no book publishers, no hotel staff, no managers — the whole broad spectrum of the population involved in the Communist party was directed by the Securitate.

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He said a meeting of Warsaw Pact foreign ministers had been considered by the Soviet bloc allies, and rejected.

"In the common conviction of the allied states, the destiny of the country is in the hands of the Romanian people and, despite the bitter resistance of the forces of totalitarianism, they will win the struggle for freedom and democracy," he said.

"Taking this into account, the [Warsaw Pact] allies agreed on the advisability of avoiding any collective actions that could remind one of practices of the past."

Yesterday's further statement, by Mr Vadim Perilyev, a Foreign Ministry spokesman, on the execution of the Ceausescus, underlines just how little sympathy the Romanian dictator enjoyed in the Soviet Union. He was always seen as an ideological embarrassment and, since the advent of Mr Mikhail Gorbachev, as a blatant relic of Stalinism.

The Soviet Union has been among the first to rush humanitarian assistance to Romania, including preparing 6,000 hospital beds to receive injured victims of the fighting, and also making blood transfusion

● SOVIET REACTION

By Quentin Peel in Moscow

THE Soviet Union yesterday appeared to give its tacit approval for the execution of Mr Nicolae Ceausescu, the deposed Romanian dictator, and his wife Elena, just a day after announcing its "unequivocal support" for the National Salvation Front which has assumed power in Bucharest.

A Soviet spokesman insisted yesterday that the double execution, after the summary judgement of a military tribunal, "apparently took into account the aspirations and will of the Romanian people".

The statement reflected a consistent Soviet determination to do absolutely nothing which could be construed as interference in the popular overthrow of Ceausescu, while also making clear its political support for the revolution.

President Mikhail Gorbachev congratulated the new leader, Mr Ion Iliescu, on his election as chairman of the National Salvation Front.

"We and our allies unequivocally support the revolutionary renewal, the just struggle of the Romanian people, and the efforts of the National Salvation Front council that has proclaimed a programme of far-reaching democratic reforms," Mr Ivan Abotimov, a Soviet Deputy Foreign Minister, announced in Moscow on Christmas Day.

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● US REACTION

By Nancy Durne in Washington

US OFFICIALS have moved swiftly to establish diplomatic relations with the new Government of Romania while regretting the trial of Nicolae Ceausescu and his wife was not conducted "in an open and public fashion".

In an official statement, the White House extended its congratulations to the National Salvation Front and promised support for its struggles to achieve its announced democratic values.

The US business community is also welcoming the new Government and expecting a resumption of trade ties, cut in July 1983, over human rights violations.

President Bush may move quickly to restore Romania's Most Favoured Nation status and its duty-free trade privileges under the Generalised System of Preferences.

● FRENCH REACTION

By William Dawkins in Paris

FRANCE gave official recognition to the new Romanian Government over the weekend and mobilised large amounts of medical and food aid for the struggling country.

"The French Government recognises the National Salvation Front as the sole legal authority in Romania," said a Foreign Ministry statement.

Meanwhile, the Government granted assistance to the country's recovery. "The deep and solid affinities which link us are guarantees of our wish to aid you in your reconstruction," added Mr Roland Dumas, the Foreign Minister, in a message to the Romanian people.

Mr Michel Rocard, the Prime Minister, noted "the courage of the Romanian people, who have overturned a dictatorship under extremely dramatic circumstances." His number two in the Government, Mr Lionel



A woman weeps at the grave of her husband in central Bucharest, where over 100 victims of fighting were buried yesterday

Tacit approval for execution

By Quentin Peel in Moscow

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● PRESIDENT'S SON

How Nicu Ceausescu was seized

A ROMANIAN printer told yesterday how he recognised and arrested Nicu Ceausescu, the deposed President's son, as he tried to flee in a car driven by a heavily-perfumed woman. Reuter reports from Budapest.

Mr Ivan Maru told the Hungarian newspaper Nepszabadsag that he overpowered Nicu, a notorious playboy, and took him to the television centre, where he appeared on camera looking dazed and bruised.

Mr Maru said he had been checking cars near Bucharest's Banasa domestic airport on Friday with a group of vigilantes. "I saw a metallic-coloured Olivet (Romanian-made car) approaching. We forced it to slow down and stop. Four of us surrounded it and one of my buddies told the driver to identify himself," he told the paper.

He said he noticed the car's registration number started with 43, which he had heard meant it belonged to the Securitate secret police.

"A very elegant woman was driving the car. The scent of fine perfume poured out of the car when she pulled down the window."

"Her papers were in order, but we saw that a man was sitting behind, his cap completely pulled down. We could barely see his face."

Mr Maru said they asked her who he was and she replied: "He is my lover."

"I reached in and pulled off his cap. I saw it was Nicu. He got out and pretended to search for his papers. Then suddenly he ran away. I ran after him and jumped on him."

Mr Maru said he radioed for an army car to take Nicu, despite party leader in the city of Sibiu, to the television headquarters.

Paris recognises new Bucharest Government

By William Dawkins in Paris

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Mr Michel Rocard, the Prime Minister, noted "the courage of the Romanian people, who have overturned a dictatorship under extremely dramatic circumstances." His number two in the Government, Mr Lionel

Olive branch from Hungary

The new Romanian Government was keen to resolve old differences with Hungary and hostility between the two countries was over for good, Hungarian Foreign Minister Gyula Horn said yesterday, Reuter reports from Budapest.

Lines between the two Warsaw Pact allies have been strained recently, particularly over Mr Ceausescu's treatment of Romania's big ethnic Hungarian minority.

Hungary has already organised aid for its neighbour.

● THE MILITARY
Tension between Securitate and army is likely to remain

Jonathan Eyal explains why Romania's security forces may have difficulty in coming to terms with a new era

THE bitter week-long fighting in Romania may have sealed the fate of Ceausescu's dictatorship but the conflict between the armed forces and the hated Securitate is likely to rumble on, for it is based on a traditional competition for resources and influence within the country.

It is apparent that, although the Securitate has been annihilated as an organisation its agents will continue to provide the army with a persistent challenge. After the summary execution of President Ceausescu and his wife members of this organisation are unlikely to expect much mercy from the Romanians; some would try to escape from the country while others are already hiding in the Carpathian mountains.

The number of violations of Hungarian territory and air space has risen sharply in the last few days, prompting a general state of alert at Hungary's frontiers. Isolated clashes between the Securitate and the army can therefore be expected for many months to come.

Yet, Romania's military will also have a much more crucial role in the country's internal politics. For almost a quarter of a century, Ceau-



Soldiers and civilians guard Ceausescu's rooms in the Communist Party building in Bucharest

● THE MILITARY

would also shield them from the effects of any political reforms. Thus, for instance, there is little likelihood that a democratic government elected after the April elections will seek to impose a civilian minister on the army. Nor is it very likely that Romania's defence budget will be reduced by much.

The most crucial question is that of the military's involvement in this political succession. Although Romania has no tradition of direct military interference with the civilian government, it has a great experience with military influence on political administrations.

The Council of National Salvation which currently runs Romania is well aware of its dependence on the armed forces, but seems to believe that this dependence cannot be reduced in the near future. Its most progressive members, however, are clearly hoping that by appointing professional soldiers to command positions (rather than party officials in uniform) this influence could at least be kept in check.

The freshly appointed leadership of the Defence Ministry bears testimony of this fact. The new Defence Minister is General Nikolai Militaru.

Although Gen Militaru was a candidate member of the Romanian Communist Party's Central Committee at the end of the 1960s, he seems to have concentrated on strictly military commands, such as that of the Second Army and Bucharest.

Gen Militaru is assisted by two deputies. The first is Gen Gusa, the armed forces' chief of staff since 1986. He is certainly politically vulnerable because of his former association with both Ceausescu and his Communist Party.

Nevertheless, Gen Gusa's adroit handling of the army's deployment in the last few days and his apparently committed attitude towards the Ceausescus' forces seems to have secured his position, at least for the time being. The Defence Minister's other deputy Gen Stanculescu, is particularly interesting.

An artillery soldier by training, Gen Stanculescu already served as Deputy Defence Minister in 1981. However, since 1985 he was responsible for Romania's arms industry, an extensive production network developed during the 1970s with Ceausescu's personal encouragement. His

presence at the new Defence Ministry is probably an indication that the arms industry would continue to be promoted, partly because the Romanian military regards an indigenous arms supply as the best guarantee of the country's relative independence within the Warsaw Pact, and partly because the industry remains a valuable source of hard currency revenues. However, Romania's military clients are likely to change from Ceausescu's preferred shady deals with Arab and African dictators to more open contracts with other countries. The new Romanian political leadership would probably encourage this diversification.

Ultimately, the attitude of the military towards its future political masters would be dictated by two major factors: the nature of the country's political parties and the evolution of ethnic minorities.

The military is unlikely to be concerned very much with the resurrection of the Communist Party, for this party is perceived by most Romanians as synonymous with Ceausescu's rule and by most soldiers as a reminder of a complete neglect of their profession.

The Romanian officers, shielded

OVERSEAS NEWS

Japanese surplus falls 'are key to market stability'

By Ian Rodger in Tokyo

FRESH DISRUPTIONS of international financial markets, similar to Black Monday in October, 1987, could occur unless Japan continues to reduce its current account surplus, the Organisation for Economic Co-operation and Development has warned in its latest annual survey on the Japanese economy.

"The Japanese current external surplus needs to be seen as part of an international pattern of surpluses and deficits, a pattern which - if it continued for a prolonged period - might lead to cumulative positions that could engender financial market disruption," the report says in its concluding section. Despite this stern warning, the OECD gives the Japanese authorities high marks for the progress they have made in restructuring the economy away from dependence on exports in the past few years, and for the reduction in debt in the country's surpluses in terms of gross national product.

But it is worried that the substantial progress this year has been due to some extent by the unexpected weakening of the yen and it fears that the weaker yen "may jeopardise further external adjustment in the medium run".

The survey observes that the Japanese economy is performing extremely well, with new peaks in capacity utilisation being achieved last year, leading to low unemployment and a high rate of business investment but, so far, not to high inflation. The OECD is fore-

casting that the economy will grow 4.5 per cent in real terms in 1990, and a further 4.3 per cent in 1991.

The one concern on the economic front, apart from external balances, is that labour shortages could cause the inflation rate to rise. The Government's draft 1990-91 budget, published on Sunday, seemed to be in line with the OECD's view that, given the strength of the private sector demand, "a broadly neutral stance of fiscal policy" would be appropriate. Similarly, the Bank of Japan's 0.5 per cent discount rate increase on Monday was con-

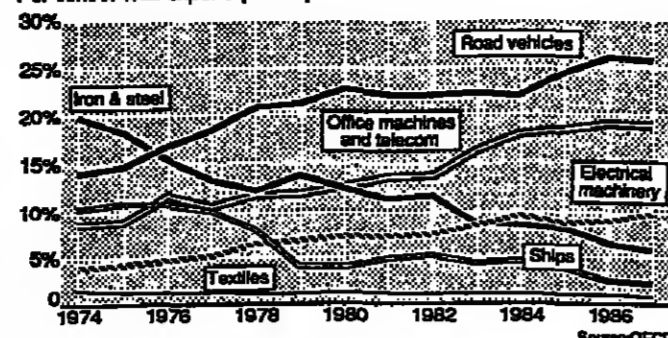
The OECD gives the Japanese authorities high marks for restructuring the country's economy away from dependence on exports

sistent with the OECD's recommendation that any further weakening of the exchange rate should be resisted.

The OECD has devoted considerable space in this report to analysing Japan's trade behaviour and has found generally that the country has been moving rapidly to open markets and ease regulations. It points out that the country's exceptional export performance over the years has been supported by "strong price competitiveness, high quality of its products and an outstanding ability to adapt to changes in world demand and relative prices by transforming the output mix and cost struc-

Japan: Export structure

Per cent of total exports (values)



ture of manufacturing industries towards higher value added products.

It acknowledges that aggressive competition by Japanese companies and the relative concentration of Japanese exports on a limited number of products has resulted in trade friction. However, it notes that export volumes have stagnated in response to the substantial appreciation of the yen since

suppliers in its markets, calling this "a dangerous prescription" that should be "strongly resisted".

As Japan depends heavily on the continuation of a liberal world trading system, the OECD suggests that it "should be one of the countries taking the lead when it comes to rolling back barriers to the international movement of goods and services".

The OECD's other complaint is that the standard of living of the Japanese people is still low in comparison to the country's high per capita income, and it urges the Government to take action to reduce working hours and to remedy a plethora of outdated laws, regulations and taxes that make many goods and services, including land, unnecessarily expensive.

"Japan's GNP per head is the fifth highest in the OECD when measured at current exchange rates, but valuing it as a purchasing power parity basis puts Japan in only the tenth position. It would therefore be opportune for Japanese living standards to be brought more closely into line with the nation's productivity," the survey says.

It points out that many of the measures that would improve living standards would also contribute to reducing the trade and current account surpluses.

Big domestic market, not barriers, keeps imports low

Ian Rodger looks at the OECD survey of Japan

THE PERSISTENCE of Japan's large trade surplus is undoubtedly one of the main reasons for a resurgence of accusations, especially from the US, that the country's markets remain largely closed to imports.

There is no doubt that Japan's import propensity is much lower than that of most OECD countries. In a special section on this controversial subject, the OECD's 1988-89 Economic Survey on Japan shows that the country's manufactured imports amounted to only 2.8 per cent of GDP in 1987, compared with 7.5 per cent in the US and 14.3 per cent in West Germany.

Nevertheless, the survey concludes that "there is little evidence in general to support the contention that import impediments (either formal or informal) imposed by the Government are a decisive factor". It suggests that "the abundance of human capital (both workers' skills and diligence) relative to natural resource endowment" partly explains the relative paucity of manufactured imports.

It says that some business practices, notably the preference of companies for long-term trading relationships, make it difficult for new companies, both foreign and Japanese, to enter some sectors, but this has been one of the contributing factors to the economy's efficiency.

The survey points to three special factors affecting Japan's import behaviour: ● The country has a large unified domestic market with a per capita income among the highest in the world. As a rule, the larger the domestic market, the smaller the import/GNP ratio.

● Japan's isolation inhibits imports, especially of manufactured goods. New Zealand and Australia show similarly abnormally low import ratios.

● The fact that Japan has few resources other than its human capital leads it naturally to outperform others in sophisticated manufacturing industries.

The report cites a number of recent academic studies of the Japanese import issue, but observes that the results differ widely, depending on the assumptions made and method used, and so no clear conclusion can be drawn.

It then examines Japan's barriers to imports, discovering that tariff rates on industrial products average 2.8 per cent, which is lower than that in both the US and the EC. Also, in non-tariff barriers, a recent study by the World Bank found that the overall extent of non-tariff barriers in Japan is similar to that in the US, although the coverage is larger in agriculture and food in Japan and wider in manufacturing in the US.

Similarly, the Japanese Government's use of subsidies is not badly out of line. In 1987, the ratio of subsidies to GNP was 1 per cent compared with 0.7 per cent in the US and 1.7 per cent in OECD Europe. In

manufacturing industries, subsidy levels were about the same in the US and Japan.

There have been problems in the vague area of informal import barriers, such as government procurement practices that lack transparency, unnecessarily complicated standards and certification procedures, differences in legal frameworks, differences in the application of patent law and regulations that protect small retailers.

However, many of the complaints in these areas have been dealt with in the Market-

these long-term sub-contracting practices are becoming more popular in other countries, "and their prominence in Japan marks a quantitative difference compared to inter-industry relationships in other countries".

Complaints about purchasing preference being given to members of Keiretsu (big multi-sector company groupings, such as Matsui and Mitsubishi) are also considered to be relatively unimportant.

The survey points to a report of the Fair Trade Commission

	1988	1989	1990	1991
Demand and Output				
Private consumption	5.0	2.0	3.7	3.8
Government consumption	2.2	2.0	1.9	1.8
Gross Fixed Investment	13.4	11.1	6.5	4.8
Public	6.8	0.2	1.5	1.5
Private residential	13.4	1.1	2.3	2.9
Private non-residential	16.0	18.0	9.1	8.2
Final domestic demand	7.1	4.8	4.0	4.0
Stockbuilding	0.2	0.0	0.0	0.0
Total domestic demand	7.7	5.8	4.0	4.0
Exports of goods and services	8.1	14.1	9.8	9.2
Imports of goods and services	21.3	18.0	9.9	8.0
Foreign balance*	-1.9	-2.8	-5.1	-4.2
GNP at market prices	5.7	4.8	4.5	4.3
GNP deflator	0.4	1.3	2.6	2.5
Balance of Payments				
Exports (Bn)	258.8	276	228	232
Imports (Bn)	164.0	139	219	226
Trade balance (Bn)	94.8	137	9	6
Current account balance	79.8	61	61	69
(Per cent of GNP)	2.6	2.1	2.1	2.2

* as a percentage of GNP Source: OECD

Some business practices, notably the preference of companies for long-term trading relationships, make it difficult for new companies, both foreign and Japanese, to enter some sectors, but this has been one of the contributing factors to the economy's efficiency.

In 1988 which found that the share of intra-group trading transactions of companies in the six largest Keiretsu accounted for 10 per cent (excluding financial transactions) of their total sales. The Commission also found that the choice of important capital goods purchased is little affected by Keiretsu membership, but certain standardised services such as non-life insurance or pension fund management tend to be provided by financial institutions within the group.

Other obstacles to foreigners in Japan's business culture include the tradition of business-related companies holding large amounts of each others' shares, a practice which prevents hostile takeovers. However, the report notes that the number of mergers and acquisitions in Japan rose 60 per cent from 1984 to 1988 to 240 cases and that they have become socially acceptable.

The domestic retail networks, especially those for household appliances and passenger cars, have been largely controlled by manufacturers, a system which prevents the entry of newcomers. However, the increasing number of independent discount stores has gradually changed this pattern.

Negotiations by various ministries over budget allocations are expected to be completed by Friday, and a revised draft is expected to be presented to the cabinet at the weekend.

The official Economic Planning Agency predicted at the weekend that the economy would show 4 per cent real growth next fiscal year, down slightly on its 4.6 per cent estimate for this year. However, most private economists believe growth next year will be around 4.5 per cent.

Next year's budget takes shape

By Robert Thomson in Tokyo

JAPANESE GOVERNMENT ministers are due to meet today to discuss revisions to the draft of the 1990-1991 budget, which is designed to maintain the country's present growth cycle without overstimulating the economy.

The Ministry of Finance draft provides for a ¥62,730bn (228.7bn) budget, which, in real terms, is a 9.7 per cent increase over the present fiscal year, although that calculation does not take into account a supplementary budget this year which has lifted total expenditure slightly above the draft figure for next year.

A sign that the Government is concerned about potential overheating is the marginal 0.3 per cent increase in public works spending, which it has previously used to stimulate economic growth. It is widely believed that if the economy does show signs of slowing, the Government will be tempted to draft a new public works package to maintain growth.

Defence spending is to increase by 5.5 per cent, although the final figure is, for the first time in four years, likely to fall below 1 per cent of gross national product. The defence budget is a sensitive issue among Japan's neighbours, which have criticised allocations above the 1 per cent level.

The budget provides for a 5.9 per cent increase in aid to developing nations and international aid organisations, which will make Japan the world's leading donor on a dollar basis for a third successive year.

In producing the draft, which comes less than two months before a general election, the ministry has generally resisted the temptations of pro-election handouts, although it did allow for a 6.2 per cent increase in social welfare spending and a larger-than-expected rise in allocations for new railway lines.

The budget, reflecting government concern about the level of public debt, does not include the use of deficit-financing bonds for the first time in 15 years, and allocates ¥14,290bn, or 21 per cent of expenditure and a 22.5 per cent increase on last year, for the servicing of outstanding government bonds.

Conscious that the coming year could be marked by increasing trade tension, the Ministry of International Trade and Industry (MITI) is negotiating a revision of the ¥2.5bn set aside for import promotion, and would like ¥2.5bn more.

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UK NEWS

Companies House risks shake-up

Hazel Duffy continues her series on Civil Service commercialisation

COMPANIES House, which documents all company returns, will be one of the first of the new Next Steps agencies to be put on a more commercial footing after the recent introduction of the Government Trading Bill. The bill is to extend trading fund status to more sections of government.

A fund provides a financing framework that distances the body from the day-to-day financial controls by Whitehall that cover the vast majority of the civil service.

Mr Stephen Curtis, chief executive of Companies House, will not be there to relish the change. Next April he will head the Driver and Vehicle Licensing office when it becomes another Next Steps agency - the name given to the new agencies under the bill.

It is a little over a year since Companies House became the second Next Steps agency. The event took Lord Young, then Trade and Industry Secretary, to Cardiff, the main offices of Companies House. The staff had just moved to the new premises, and it was hard to know what changes an agency would bring.

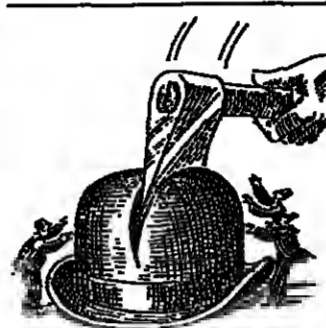
Since then, they have had a fleeting visit from Mrs Thatcher, hosts of visitors from other parts of the British Civil Service and from overseas bureaucracies, all eager to learn if agencies are the answer to the question of how to improve public services without pushing up costs.

Basic facts about all British companies must be registered regularly with Companies House - set for it by the Government last March. Mr Curtis's successor must also cut the time taken to process documents by 20 per cent, so that they will be available to the public within 18 working days of receipt. Productivity must be increased by 12 per cent, real unit costs reduced by 7 per cent. Publication of targets, and measurement of the success in keeping to them, is the one Next Steps innovation that might mean something to the public.

Mr Curtis had already set in



Stephen Curtis: has tried to make the organisation more responsive to its 'customers'



CIVIL SERVICE

The compliance rate today is nearly double. By 1991 it must be 83 per cent, if Companies House is to reach the "stretching targets" - in Lord Young's words - set for it by the Government last March. Mr Curtis's successor must also cut the time taken to process documents by 20 per cent, so that they will be available to the public within 18 working days of receipt. Productivity must be increased by 12 per cent, real unit costs reduced by 7 per cent. Publication of targets, and measurement of the success in keeping to them, is the one Next Steps innovation that might mean something to the public.

train many more steps towards making Companies House more responsive to its "customers." Staff in the section helping the public now wear a uniform, for instance. Documents can be delivered to companies by fax. Satellite offices are being opened in Manchester, Leeds, Birmingham and Glasgow.

Next year, documents that are already partly completed from information filed with Companies House will be sent out in place of the annual return forms, so that they can then be simply confirmed or amended by the company.

A register of all company directors and secretaries is being developed which will enable searchers to identify all the directorships held by an individual, for instance, during the year.

Research into the possibility of storing 400m pages of information on optical discs is going on in Cardiff. If the experiment is successful, information could be made available to searchers via computer terminals.

Agencies are bringing home the harder aspects of being managers, as well as the bonuses. Mr Curtis switched to recruiting some staff, instead of relying on the DTI - "it is very much quicker" - but he has also had to contend with

the threat of a strike over a dismissal.

The vote went against a strike but it was a sobering experience for the statisticians turned manager.

The chief executive gets a salary of less than £40,000, although the agency has brought him the chance to earn an undisclosed bonus. Staff will also share in a bonus scheme if targets are met, although the amounts will be small.

Trading fund status will sharpen up the disciplines and freedoms that are beginning to take shape in Cardiff. The chief executive will be able to carry over money from one year to the next, for instance, as well as to juggle between pots for staff pay and accommodation costs, for instance, during the year.

In a relatively distinct and small business, like Companies House, which earns money from fees, and covers its costs, the agency model has probably the best chance of changing the face of the Civil Service presents to the public. Whether it makes much difference for the staff, as opposed to the small number of people at the top, remains to be seen.

Further articles in the series will appear on the UK pages.

Rover sets up schools link to promote engineering

By Richard Tomkins, Midlands Correspondent

ROVER GROUP, the car-making subsidiary of British Aerospace, will forge stronger links with schools to attempt to counter the shortage of youngsters going into engineering.

The Rover Group Education Partnership has been launched in order to stimulate pupils' interest in manufacturing and prepare them for jobs in engineering.

Rover, which employs 40,000 people, takes on 400 school leavers a year, and the programme is partly intended to satisfy the group's own recruitment needs.

Mr George Simpson, the managing director of the group, commented: "It's just as much a part of our investment in the future as spending billions of pounds on high technology and new model development."

The programme will also develop a network of Rover partnership schools around

wider responsibility towards the community, improving the quality of the workforce for all employers.

The programme will extend a series of informal links that have been built up between individual Rover plants and nearby schools over the last 10 years.

It will set up enterprise centres at the Longbridge plant in Birmingham, the Cowley plant in Oxford, the Canley headquarters in Coventry, the Land Rover plant in Solihull, near Birmingham, and the body pressings plant in Swindon, Wiltshire.

These centres will act as a focal point for partnership programme activity - training teachers on secondment, running work experience courses, and training Rover staff who have become school governors.

The programme will also develop a network of Rover partnership schools around

each plant, which will have a high content of work-related activities across the curriculum, and Saturday morning skill-learning clubs for pupils will be organised at the plants.

In some cases, Rover will pay for special facilities in schools to help to train children in such topics as technology and business skills.

The first of these "Rover Rooms" - a careers centre costing £5,000 - has just opened at Banbury School in Oxfordshire. A design and technology centre is in preparation at Shenley Court Comprehensive School in Birmingham, and a third will soon be established at a school in Swindon.

The partnership will also develop teaching support material for schools across the country and introduce an award scheme for the best work experience programme.

Reliant will double taxi output

By John Griffiths

RELIANT, the UK vehicles and plastics group, has started an expansion programme that includes more than doubling production of the Metrocab taxi in January.

Reliant is creating about 100 jobs, representing a 20 per cent increase in the workforce.

It is also diversifying into marine products and industrial engines.

The company is investigating further acquisitions.

Expansion of the taxi operation - which makes the rival to the Carbodies of Coventry FKA London black cab - comes after the move of the Metrocab manufacturing operation from Birmingham to Reliant's base in Tamworth, Staffordshire.

It bought the taxi operation from the Laird group for £4m a few months ago. Output is to be raised from 10 to 25 vehicles a week.

Reliant, faced with falling three-wheeler sales and disapp-

pointing sales of its SS1 sports car, was the subject of a reverse takeover by two building companies this year.

Mr Carl Turpin, the new chief executive, says that he intends to turn Reliant into a broadly based industrial and property group which will be capitalised at £100m by the end of 1992.

Reliant already produced Metrocab's plastic composite body for Laird.

With the annual black-taxi market in the UK standing at 3,000 to 4,000 units, Reliant is understood to believe it could soon sell at least 1,000 Metrocabs a year.

The Metrocab also lends itself to frequent redesign because of the low tooling costs for its plastic body.

Previously unavailable taxi features such as air conditioning may be on offer, which may boost Metrocab's slice of Carbodies' traditional business.

Reliant will soon start an export drive.

A fleet of 80 Metrocabs is operating on a trial basis in Sydney.

A left-hand-drive version of the Metrocab is being developed at a research and development facility recently opened by the company at Tamworth.

Meanwhile, Reliant has developed a marine version of the engine used in its Blithe three-wheeler, for use in boats and a two-seater water "motorcycle", which it is to manufacture after the acquisition of Jetwave, a maker of motorised surfboards.

Mr Turpin says Reliant has a 90-strong network of dealers in Europe to handle its marine products, which will be 100 per cent British.

The sector is dominated by Japanese manufacturers but, says Mr Turpin, "we will be able to beat the Japanese on price."

Car makers fear slowdown in sales

By Alice Rawsthorn

THE British car market, which was buoyant through 1989, will slow down next year, as the squeeze on consumer spending and high interest rates increases consumers' caution about spending money on new cars, according to the Society of Motor Manufacturers and Traders.

This year has seen seven monthly sales records set, and the society estimates that the total number of new cars sold during the year reached a record of 2.3m.

It expects the market to weaken in 1990, with overall new car sales falling to between 2.1m and 2.2m.

Glass's Guide, recognised as the "bible" of the motor trade, was more pessimistic, predicting that new car sales would be as low as 2m.

The SMMT said the continuing high level of interest rates would make it more expensive to buy new cars through hire purchase.

General pressure on disposable incomes would mean that

fewer people would be able to afford or would be willing to buy new cars.

Glass said there would still be strong demand for used cars.

Doctors protest over excess hours

JUNIOR DOCTORS camped for 24 hours on pavements outside hospitals around Britain yesterday in a renewed campaign over their working hours.

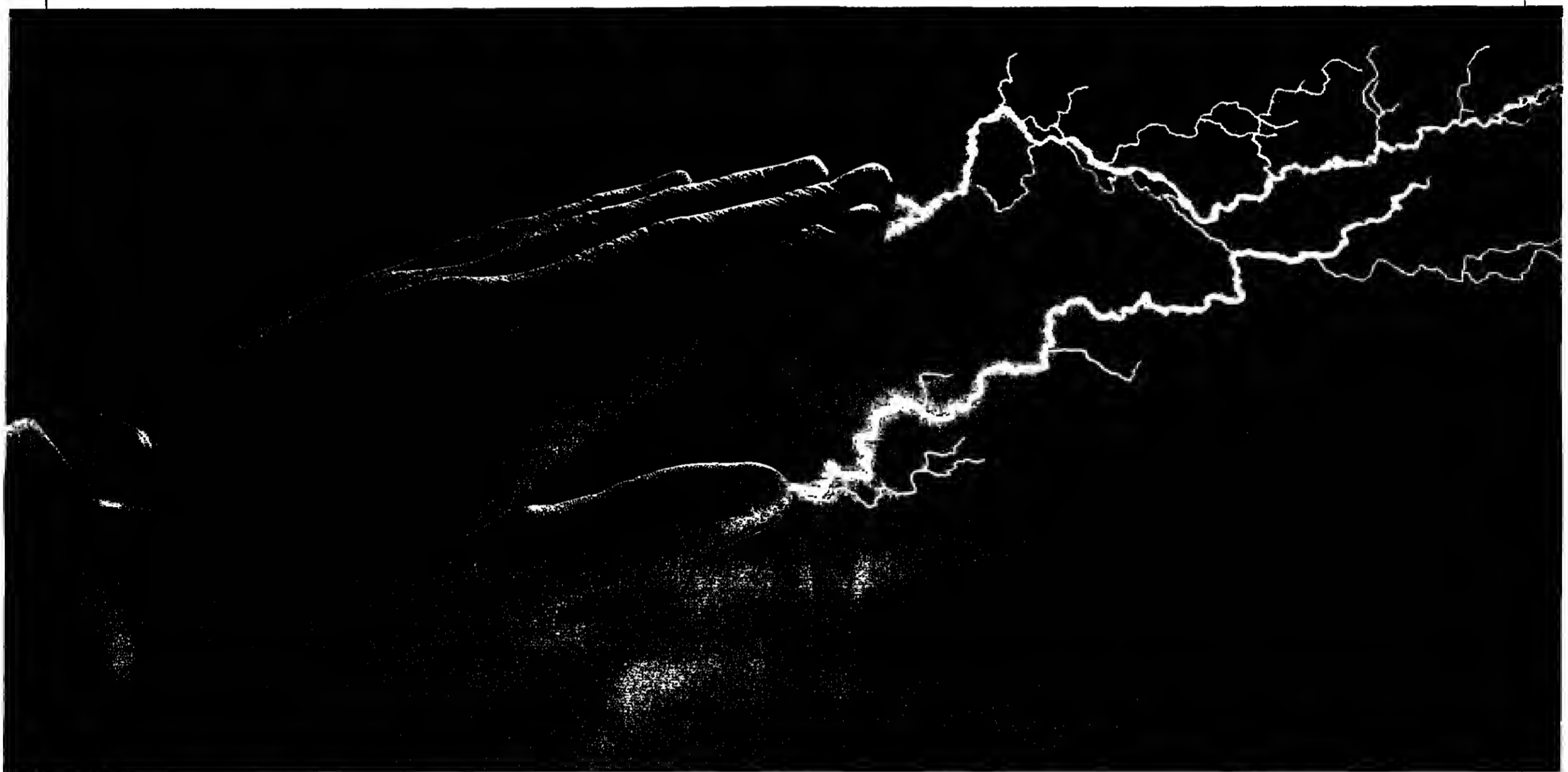
The British Medical Association's hospital junior staff committee, which represents 26,000 junior doctors, said the average duty hours were 62 a week, while 140-hour weeks had been worked. It wants a maximum 72-hour week.

The BMA said that patients suffered as a result of doctors' long hours.

It said: "Tired doctors cannot treat patients to the best of their ability and run the risk of making mistakes, as well as becoming irritable with patients and relatives who need a sympathetic ear."

Protests took place in London, Birmingham, Edinburgh, Bristol and Newcastle.

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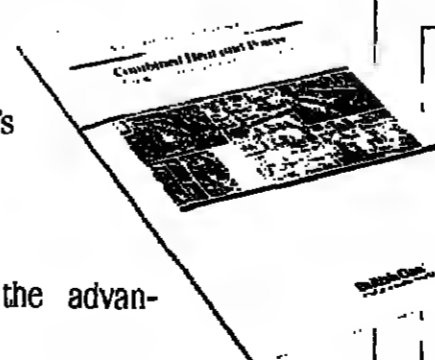
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House price slide likely to persist during 1990

By Alice Rawsthorn

THE sluggish housing market is set for a further slump next year, but should experience a modest recovery in 1992, according to a new survey from the Halifax Building Society, Britain's biggest home mortgage finance organisation.

The Halifax predicts house prices will fall by 10 per cent in 1990 because of the continuing problems posed by high interest rates.

The housing market has been depressed - especially in affluent areas such as the south-east of England where mortgages tend to be higher - since the spring. Property prices have fallen and many people have struggled to sell their homes.

The Halifax said the chief reason for the slump was that the increase in interest rates meant property had become too expensive for many people.

But the market was adjusting and property prices were falling to more accessible levels. Once prices have fallen far enough, the Halifax expected property prices to strengthen in the medium term because of healthy demand, tighter controls over the supply of land and a shortage of new homes.

Another building society, the Woolwich, recently predicted a property boom in the 1990s in which the average price of a house would rise from £58,000 to £200,000 by the end of the century.

The Halifax was convinced that the long term trend towards home ownership would continue.

It expected the growth in the proportion of households owned by the 30-59 age group to counter the reduction in the number of young households. It forecast that three quarters of the population would own their own homes by the end of the century.

In the meantime, according to the Halifax, housing would be a buyers' market. Weak demand, falling prices and a dearth of competition from other would-be buyers mean there would be bargains about for those people that are able to afford a new home.

Defence groups slow to react to Europe's changes, union says

By Michael Smith, Labour Correspondent

BRITISH DEFENCE companies lag behind their competitors in developing the alternative products needed to preserve jobs in the face of political change in east Europe, a trade union leader said yesterday.

Mr Jack Dromey, national secretary of the Transport and General Workers Union (TGWU), Britain's biggest union, said hundreds of thousands of jobs would be lost unless British companies set up alternative products units along the lines of that established by MBB in West Germany.

The MBB unit employed 200, said Mr Dromey, but British companies did not have comparable operations.



Jack Dromey, TGWU secretary

defence companies launched a campaign to persuade UK defence companies to diversify and the Government to help them to do so.

Mr Dromey said the TGWU welcomed the opportunities opening up for peace and international co-operation as a result of the changes in Europe.

However, well over 1m people depended on the arms industry in Britain for their livelihood.

"There will always be arms factories but on a greatly reduced scale in future," he said. "Failure to plan now will see at least one in three lose their jobs in the next decade of peace in Europe."

Tribunal rules British Telecom guilty of unfairly retiring an employee at 60

By Diane Summers, Labour Staff

AN INDUSTRIAL tribunal has ruled that British Telecom is guilty of unfair dismissal by retiring a person at 60, the normal retiring age at the company. It is the latest in a series of tribunal cases relating to BT workers who were over the retirement age.

The wrangle about the dismissal of older workers between BT and the NCU, the trade union representing engineers, has implications for other organisations, particularly those that offer pensions to workers who are below the statutory retirement age.

Civil Service and ex-Civil Service organisations, in particular, could be affected.

The tribunal decision follows BT's success, however, on the same issue in another 22 cases that were brought together before one tribunal earlier this year. The NCU is backing an appeal which it expects will be heard next March.

In the latest case, an industrial tribunal in Belfast ruled that Mr Patsy Cregan, 60, was protected by law against unfair dismissal.

BT had argued that he did not have protection because it has a declared policy of retiring workers at 60.

The tribunal's decision hinged on statistics, relating to

the whole of the UK, which demonstrated that the contractual retirement age within BT was commonly ignored and workers carried on beyond the age of 60.

What happened in practice was more important than a declared policy on retirement age.

The tribunal went on to find that Mr Cregan had, indeed, been unfairly dismissed.

In the 22 cases dealt with together earlier in the year, BT argued successfully that the organisation was a collection of separate undertakings and so national statistics on retirement age were not significant.

The new union will have 157,000 members, made up of the NUR's 115,000 and the NUS's 22,000.

The NUR has a full-time executive, whereas the NUS's is part-time, but has been carrying out a reorganisation since the recommendations in April 1988 by academics at Warwick University after a year-long inquiry.

Mr Jim Hübner, operations director, said one of the aims of the reorganisation of maids' work was to increase their involvement in the job by giving them greater responsibility, while reducing management hierarchies.

The company has also started to introduce quality circles - groups of different grades of workers which discuss ways of improving work organisation - at its hotels.

Hotel chain introduces the labour saving maid

By John Gapper, Labour Editor

A NEW grade of chambermaid who checks her own work has been introduced by Commonwealth Hotels International, the UK operator of the Holiday Inn franchise, as part of an effort to improve labour productivity.

The hotel chain has reduced the number of housekeeping supervisors it needs to employ by training "self-checking maids" to oversee their own cleaning of rooms.

A comparative study of hotel worker productivity in West Germany published by the National Institute for Economic and Social Research last month concluded that better work organisation in German hotels raised productivity.

The study concluded that housekeeping supervisors in medium-sized British hotels were occupied mainly with detailed supervision of maids' work, while their German counterparts had a more strategic role.

Commonwealth Hotels, which runs 11 Holiday Inns in Britain, has eliminated supervisors entirely at its new hotel in Swansea, which it has designed to improve labour productivity.

At Swansea in Wales, its maids are under the control of a single housekeeper. The company would traditionally have employed a housekeeper, an assistant and one or two supervisors to monitor maids' work in its larger hotels.

The new grade of maid is paid about 10 per cent more than the traditional worker. The company says it passes on most running labour cost savings, while benefiting from reductions in fixed costs such as national insurance.

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Rail and sea unions to vote on merger

By Fiona Thompson, Labour Staff

MEMBERS of the National Union of Railwaysmen and the National Union of Seamen will from next week be balloted on the merger of their two unions.

They will be asked to approve the new rule book and constitution of the merged union, which will be called the National Union of Rail, Maritime and Transport Workers and known as RMT.

The ballot will take between

six and eight weeks, because many NUS members will be away at sea, and the unions expect that the formal merger will take place in April or May.

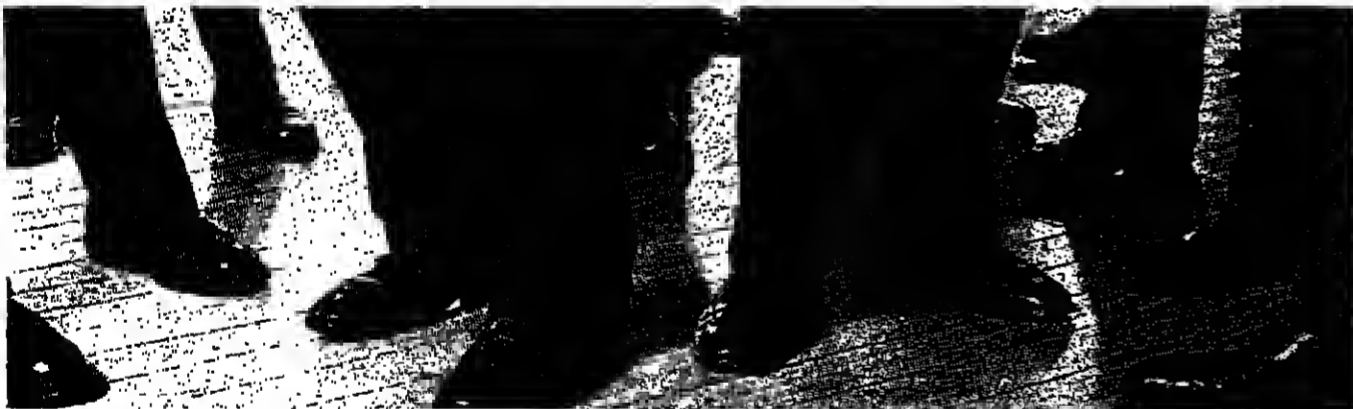
Mr Jimmy Knapp, general secretary of the NUR, will take the same role in RMT. Mr Sam McCluskie, present general secretary of the NUS, will be RMT's executive officer and will deputise for Mr Knapp. There will be three assistant

general secretaries.

The new union will have 157,000 members, made up of the NUR's 115,000 and the NUS's 22,000.

The NUR has a full-time executive, whereas the NUS's is part-time, but has been carrying out a reorganisation since the recommendations in April 1988 by academics at Warwick University after a year-long inquiry.

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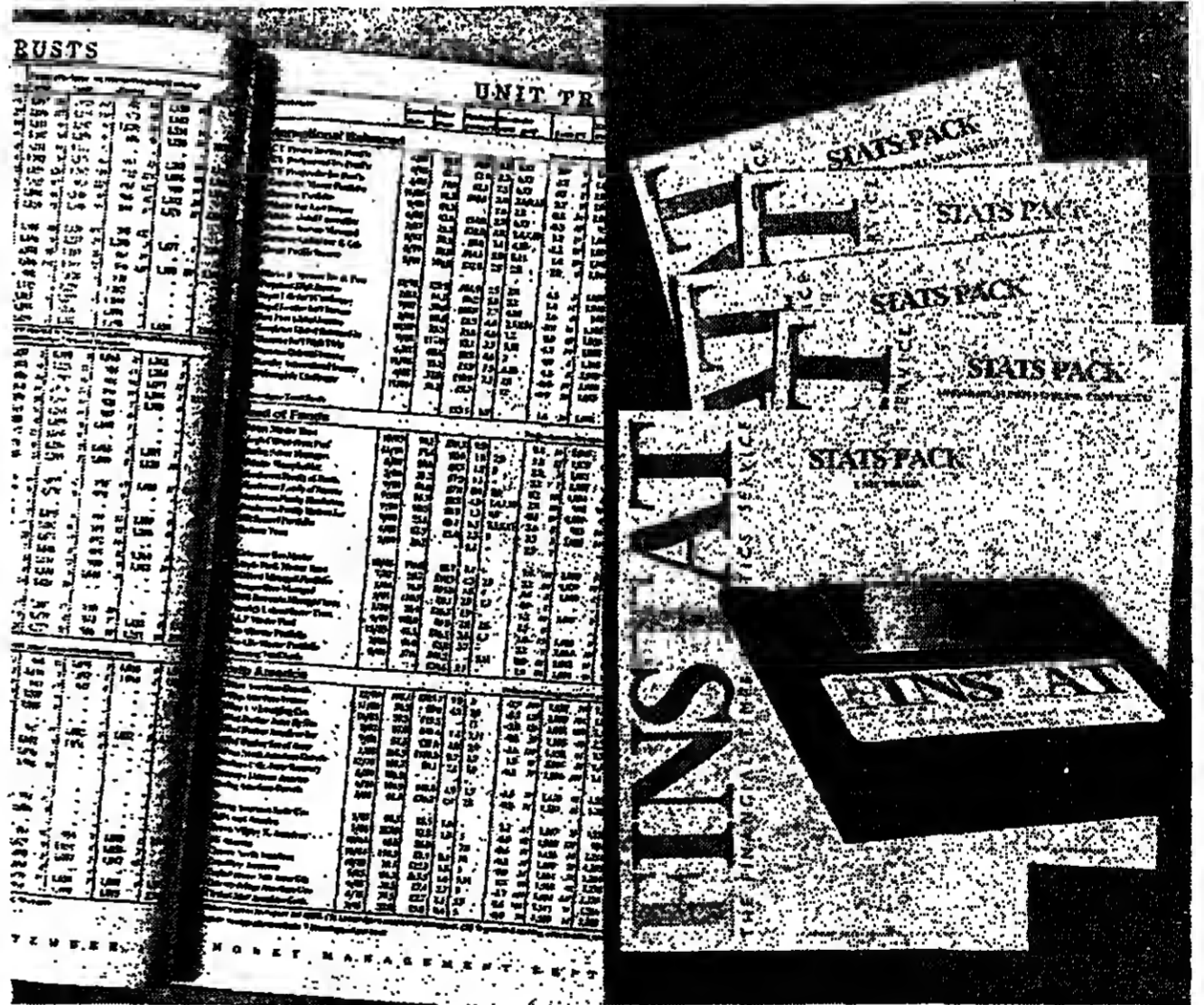
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Review

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MANAGEMENT

SmithKline Beecham

Stretching the limits to make a merger work

Peter Marsh explains how a 'round the clock' effort has gone into drawing up a reorganisation plan for the pharmaceuticals and consumer products group

Kerms has crossed the Atlantic 84 times over the past 18 months. Partly as a consequence, about 1,000 managers at his company have not been getting much rest lately.

Kerms is the corporate development director of SmithKline Beecham, the pharmaceuticals and consumer products company formed in July after a merger between SmithKline Beecham of the US and Britain's Beecham.

The new company, with headquarters in London but with many of its most important functions based in the US, has annual sales running at about \$4bn and is one of the world's top three drug groups, on the basis of products sold both by prescription and through retail outlets.

Kerms, formerly chief financial officer of SmithKline Beecham, has been involved in planning the merger since June 1988 when the two companies first started talking.

After the deal was consummated, Kerms assumed a key part in the process of putting together the two businesses. The last thing he wanted to do was simply to take an organism of existing jobs and start to fill in boxes on a chart.

The planning, says Bauman, is designed to give him and the other top executives a base from which to start designing the shape of the new group so that it fits in with what he considers the priorities for the future.

For example, he wants to build into SB's structure as far as he can such things as a good responsiveness to customer's needs, minimum bureaucracy and a high degree of innovation in product development.

Just as important, says Bauman, was the idea of involving the 1,000 top managers in the company in helping to work on the way the company was going to evolve.

Baumman does not pretend that all the recommendations will be easy to put into effect and he says that some will take time. As an example, some of the 100 or so plants which SB currently operates are likely to close as a result of the reorganisation.

He is committed to keeping the company's 5,000 pharmaceuticals R&D workers and the 6,000 drugs sales people but he says some loss of jobs is inevitable in areas like administration and production.

For Kerms, the exercise is a chance for former SmithKline people in the organisation to look back and try to learn from their mistakes. The management of SmithKline has been widely criticised in the past five years - mainly for its lack of supervision of R&D in medicines and for the way it let slip the lead it had in anti-cancer products with its one-time superdrug Tagamet.

The merger as a whole has been viewed in some quarters as a way of rescuing SmithKline from the clutches of a predator such as a Japanese or Swiss drug group.

Not surprisingly, Kerms does not see things exactly this way, but he admits: "There are some things which SmithKline didn't do particularly well. And Beecham undoubtedly made errors too. An exercise like this lets us look back and redefine what we want to be."

A telling aspect of the complete reorganisation is that the key managers involved are American. It is difficult to think of many companies run solely by UK managers that would put into train anything so complex and ambitious as the SB operation.

Generally speaking British managers have the reputation of taking a more laissez faire, less systems-oriented approach to planning and organisation; indeed, the whole exercise smacks of the complicated systems planning which is a feature of the US aerospace industry, and for which Bauman once worked for six years at two US aerospace manufacturers, Textron and Avco.

Baumman smiles when this is mentioned and says he had not thought of the analogy. Kerms, however, says the comparison can only be carried so far. "We are demonstrating a similar systems approach. But we are talking about soft issues as opposed to aircraft components. We are managing people rather than technology, and that's something we have had to remember all the time."

and product terms, and at specific areas such as research and development, production and administration.

The complexity of the task is underlined by the numbers of people involved. The full SB empire (not including a cosmetics division which will be phased out) employs about 55,000 staff around the world who work in over 100 sites.

Some of these teams have already reported and the rest will do so within the next fortnight, by which time the documentation from the studies will have formed a pile of paper probably over 10 feet high.

Planning has proceeded according to a methodology established jointly by a team of SB managers led by Kerms called the Merger Integration Committee or MIP which was aided by McKinsey, the consultants.

Kerms, a burly 54-year-old who has known Bauman for 25 years since they both worked together at General Foods, the US food company, has been in constant touch with the exercise via the MIP unit, which has attempted during the process to steer the individual teams and keep them in touch with each other.

Kerms stresses that SB wanted to break new ground in putting together companies after a merger. "We have really looked closely at what was best for the organisation. The last thing we wanted to do was simply to take an organism of existing jobs and start to fill in boxes on a chart."

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Because of the overlap between the different parts of SB, some jobs will be phased out and others will be downgraded. Some of the managers will find they are designing away their own responsibilities.

"The whole process was about disturbing people and a lot of people don't like to be disturbed," says Bauman. "But we said to them either join the teams or don't. At least this way we gave them an opportunity to have some ownership over what the future would hold. I have to say the process has worked and most of the people have responded very well."

The level of commitment has been so great that many of the 1,000 men and women involved have worked evenings and weekends and put in 80-hour weeks as they have jetted round the world to take part in their planning meetings. Despite his easy-going appearance, Bauman sets tough standards for his workforce; he points out that the business has had to keep going while the planning was taking place. "We have asked a lot of our managers," he says.

Some key decisions have already been taken. For instance, Bauman has shaken up the two former SmithKline and Beecham pharmaceutical sales forces in the US, keeping the numbers of people the same at 1,500 but reorganising them into four groups related to different product and marketing strategies. Something similar is happening with the drugs sales teams in the UK and Canada and with the worldwide consumer products and animal health businesses.

The company took action just before Christmas to cut out overlap-



Bob Bauman: "We did not just want to integrate - we wanted to build a brand new company"

Tapping hidden 'excellence'

David Goodhart on E. German potential

Thomas Kaefer, a 39-year-old West Berlin-based business consultant and trader, has a message of qualified optimism for those trying to breathe new life into the East German economy.

The message is that the economy has some surprising strengths; the qualification is that they are mainly hidden.

It is not simply that the lack of a proper pricing system means the East German planners do not know which their most efficient companies are; equally significant, for Kaefer, are the under-exploited "centres of excellence" hidden away inside the giant Kombinate industrial groups, above all in software.

Most of Kaefer's business with East Germany has been in computers and electronics. Three years ago when he started doing business across the Berlin Wall it was still an agonisingly slow and conspiratorial process.

Because the company he was doing business with had insufficient hard currency he began bartering - exchanging computers for software. It was an initial "Catch 22" for Kaefer because without his computers, the East German company could not make the software he wanted. He took an investment risk and made a present of the first batch of computers. It never became a very profitable business but the risk proved worthwhile.

In Kaefer's view East German software is both good and remarkably cheap - perhaps one-quarter the cost of equivalent western software. He says most of it is less "user-friendly" than western software but in some fields of industrial software the East Germans are "excellent".

Yet according to some western estimates the East Germans currently earn only a few million D-marks a year from software exports. Most of the software industry is centred on Robotron, the East German equivalent of Siemens, which is responsible for about half of all exports.

"If the best specialists from the software departments inside the Kombinate could be mobilised it would give an enormous boost to the industry," says Kaefer. He is proposing to help that mobilisation by organising a conference next February in East Germany to bring together western firms interested in buying software and the little-known East German industrial software specialists.

Kaefer says the advantages for both sides could be enormous. With costs less than half those in the west, East Germany could be an ideal place to cut back on the risk involved in brand new software projects. He says various profit-sharing deals could be worked out which would bring both hard cash and know-how to the East German electronics industry.

Parts of that industry are already relatively sophisticated and earlier this year the scientific-technical establishment celebrated the production of its first 32-bit microchip. However, the cost of developing that East German micro-processor industry, considered a military-strategic necessity for the whole East Bloc in the light of western Cocom-list restrictions, has been enormous.

It is not only cut 14bn marks over the past decade but has left an electronics industry with very uneven levels of development. Also, as one West German analyst has put it: "The East Germans better produce the west does not immediately abandon the Cocom restrictions - otherwise it will never be able to recoup its investment."

Kaefer sees hidden resources not only in the software-electronics field but also, for example, in design. He says that the Bauhaus design tradition has lived on in East Germany and that East Berlin has some excellent designers whose talents are generally wasted on mass-production goods. "The East Germans must learn to use valuable trade-marks like Bauhaus which still have positive associations in the west," he says.

And what interest does Kaefer have in pursuing business with what remains an enormously complex and trying trading partner? Financial opportunity is only part of the answer. "I do it because I'm German," he says.

"See this page December 21, Thomas Kaefer, AMS, Meinekestrasse 7, West Berlin."

SmithKline Beecham divisions		
	Ebn*	Employees
Prescription drugs	2.12	27,000
Consumer brands**	1.20	14,000
Animal health	0.30	3,000
Animal lab. services	0.45	11,000
TOTAL	4.07	55,000

*Estimates for 1989; **including over the counter medicines

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NI-CAL FINANCE N.V.
NOTICE OF MEETING OF DEBENTUREHOLDERS

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of the Debentures (the "Debentures") of NI-CAL FINANCE N.V. (the "Company") is hereby convened for the purpose of considering and voting on the resolution set out in paragraph 1 of the notice of meeting attached to this notice.

The Meeting is called pursuant to the provisions of the Indenture for the following purposes:

- To consent to and approve the conversion of the Debentures into \$0.01 per share common stock of NYCAL at a rate of \$0.50 U.S. per share after the effective date of the present offering; for 10 reverse stock splits or a value of \$0.15 U.S. before the effective date of the split and giving full value for amounts owing on the principal and unpaid interest of the Debentures to December 31, 1990. The shares of common stock to be issued upon conversion of the Debentures will carry a registration rights agreement for registration thereof with the United States Securities and Exchange Commission, if any registration statement is filed for other securities of NYCAL. Currently, the Board of Directors of NYCAL has filed a Registration Statement on Form S-1 for an unspecified amount of common stock of NYCAL, which will include the shares of common stock, into which the Debentures will be converted.
- To consent to any modification of, or change in, or addition to, or omission from the provisions contained in the Indenture which shall be agreed to by the Company and the Trustee and which may be contemplated by, involved in or necessary or desirable to carry out the said extraordinary resolution or resolutions.
- To authorize and direct the Trustee to execute in due course from time to time deeds supplemental to the Indenture, agreements and/or other documents involving such approval, waiver, consent, modification, change, addition or omission and/or which may be necessary or desirable for giving effect to and carrying out extraordinary resolution or resolutions.

B. Taking such further or other action, whether by way of extraordinary resolution pursuant to the provisions of the Indenture or otherwise, as may be considered necessary or advisable.

This notice is given as the Company's request pursuant to the provisions of the Indenture to the intent that any extraordinary resolution passed at the Meeting or any adjournment thereof shall, if passed in accordance with the provisions contained in the Indenture in that behalf, be valid and binding on the Company, the Trustee and the holders of the Debentures, whether present or absent, and the Trustee and the holders of the Debentures (subject to the provisions for its Indenture contained in the Indenture) shall be bound to give effect thereto accordingly, and to the further intent that in considering and/or passing any resolution, extraordinary or otherwise, such Meeting may modify, amend, change, simplify, add to or delete any of the resolutions specified, it being understood that the foregoing does not purport to specify the terms of the extraordinary resolution or resolutions to be proposed at the Meeting, but only to indicate the general nature of the business to be transacted thereat and in general sense the subject of the extraordinary resolutions to be submitted thereat.

Pursuant to the provisions of the Indenture and the regulations made thereunder, holder of Debentures desiring to be present and vote at the Meeting without producing their Debentures may deposit with any bank, trust company, insurance company or other depository institution approved by the Trustee and will receive in exchange voting certificates which will entitle the holder named therein to be present and vote at the Meeting and at any adjournment thereof and to appoint a proxy to represent and vote for the holder at the Meeting and at any adjournment thereof in the same way as if the person so present and voting, either personally or by proxy, were the actual holder of the Debentures in respect of which the certificates have been issued. The certificates will be held on deposit until after the Meeting and any adjournment thereof and will then be returned to the depository. Any bank, trust company, insurance company or other depository institution approved by the Trustee and at the discretion of the Company of which it may be the holder. Voting certificates and/or instruments appointing proxies must be deposited with or filed to the Company at the office of its attorney listed below on or before January 10, 1990 for the meeting period listed on or before January 24, 1990 for the adjourned meeting.

Save as aforesaid, the only persons who shall be recognized at the meeting or any adjournment thereof as the holders of any Debentures or entitled to vote or be present at the meeting or any adjournment thereof shall be persons who produce Debentures at the meeting or any adjournment thereof.

A proxy need not be a Debentureholder.

This notice, a letter from an officer of NYCAL communicating upon the matters to be considered at the meeting, the text of the proposed resolutions, resolutions for the Meeting and other documents to enable each holder to be present in person or by proxy and vote at the meeting, may be obtained upon request from the office of the attorney for the Company listed below.

For any further information or inquiry contact Mr. Leon M. Cooper, Attorney for the Company at 2029 Century Park East, Suite 1800, Los Angeles, California 90067. Telephone number (213) 551-2000, fax number (213) 556-3021.

Dated at Los Angeles, California, this 26th day of December, 1989.

GUARANTORS:
NYCAL CORPORATION, A Delaware corporation
By: LEON M. COOPER, ASSISTANT SECRETARY
CALIFORNIA NICKEL CORPORATION, a California corporation
By: LEON M. COOPER, SECRETARY

SPAIN

The Financial Times prepares to publish this survey on:

19th February 1990

For a full editorial synopsis and advertisement details, please contact:

Richard Ollivier on 01-577 0909 or write to him at:

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FINANCIAL TIMES
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CITY COUNCIL OF BADAJOZ (SPAIN) **GENERAL CLERK'S OFFICE**

ANNOUNCEMENT

An announcement was published in the Spanish State Gazette of the first of December 1989 concerning the Tender for the Preliminary Project of the Fourth Bridge over the Guadiana River in Badajoz.

SUBJECT: The drafting of the Project for the Construction of the Fourth Bridge over the Guadiana River in the City of Badajoz, and also the Architectural Supervision of the Works.

PERIOD: OF DOCUMENTS: The Conditions of Contract, Particular Administrative Conditions, Technical Conditions and other documents which it is appropriate to see, may be perused at the General Clerk's Office (Contracts Department) of the City Council of Badajoz (Spain).

REGISTRATION: Registration for the Tender will be effected by an application addressed to the Mayor of Badajoz, using a form to be supplied, that being enclosed with the application proof of having paid the sum of 10,000 pesetas to the Cashier's Office of Badajoz City Council or a photocopy stamped by the Bank, of the document of bank transfer made to account number 4318-1, Banco Hispano Americano, Avenida General Rodriguez Bernaldo (Badajoz).

CLOSING DATE FOR REGISTRATION: 8 January 1990

PRELIMINARY: FIRST PREMIUM: 3,000,000 pesetas, award of the completion of the Execution Project. If the contract of completion of the project is not signed within one year, the sum of 2,000,000 pesetas will be paid by way of indemnity and the settlement of obligations.

SECOND PREMIUM: 2,000,000 pesetas.
THIRD PREMIUM: 1,000,000 pesetas.

REGISTRATION FORM

Mr. _____ with National Identity Document No. _____
Mr. _____ with National Identity Document No. _____
Mr. _____ with National Identity Document No. _____

With address for the purposes of the Tender at Street _____ number _____ province _____ post code _____ country _____ and telephone number _____

I/we being apprised of the Conditions and Requirements of the Tender for Preliminary Projects and Contracting, where applicable, of the Drafting of the Execution Project of the Works of the Fourth Bridge over the Guadiana River in the City of Badajoz (Spain).

REGISTRATION: In the aforesaid Tender, accepting all the Conditions and Requirements and formally undertaking to present the documentation required in Clause 3 of the Particular Administrative Conditions together with the work. I further appoint Mr. _____ for designation as a member of the jury representing the Tenderer.

Badajoz, 5 December 1989
(SIGNATURE)
[RUBBER STAMP IMPRESSION READING] MAYOR'S OFFICE, BADAJOZ CITY COUNCIL

CORRECTION OF THE PUBLICATION OF FEBRUARY 18, 1989

MIDLAND INTERNATIONAL FINANCIAL SERVICES B.V.
FRF 900,000,000
GUARANTEED FLOATING RATE NOTES DUE 1997

For the period December 15, 1989 to March 15, 1990 the rate has been fixed at 10.75% PA.

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ARTS

Our theatre and actors remain the envy of the world

During 1989 the theatre drew inspiration from Madam Butterfly and Cardboard City, death camps and drink. Michael Coveney reports

In the year that Laurence Olivier died, was buried in a Sussex field and commemorated in Westminster Abbey on the anniversary of Irving's burial in Poets' Corner, excavations on the very doorstep of the Financial Times uncovered the old Globe and Rose theatres.

The end of an era is always a sure sign of continuity in the theatre but it was only the agitation of the acting profession that ensured that the discoveries of the Rose, the most important in Shakespearean scholarship since the chance finding of Johannes de Witt's drawing of the Swan 100 years ago, were fully recognised.

In any other European country but ours, the news would have been met with public and political rejoicing and instant Government intervention.

And Olivier was only granted the Abbey honour with it, seemed, grudgingly reluctant and after a testy letter to The Times from John Osborne. Our theatre and our actors in particular remain the envy of the world, but you would never know it from the way they are treated at home.

already given a wonderful study in sexually explosive schizophrenia as Rosalind in Tim Albery's As You Like It at the Old Vic, struck at the heart of Stan Tait's moral ambiguity by playing her passion and her anger, unacknowledged aspects of the character's personality, through the clenched half mask of her wicked cousin Shui Ta. Warner went back to Brecht's own American rewrite that incorporated an opium racket into the tobacco shop's dealings; the play was enhanced and enriched beyond measure.

This appraisal came being belated also to Felix Frostlethwaite's suicidal pilot and Bill Paterson's philosophical water-seller. The play was restored for the 1980s.

The NT year had begun well with Declan Donnellan's Friends Company, which also sprang from a similar idea, a dramatic account and a political metaphor, of rape. The Cottesloe was unforgettably transformed into the semblance of a Spanish corral in the Golden Age, and the Cheeky Jew method of Donnellan (and his designer Nick Ormerod) was intensified no end, as no doubt was Warner's,

mime Linda Kerr as the narrator's dummy. Hytner also directed the year's best musical, Miss Saigon, Drury Lane, a belting re-write of Madam Butterfly set in the last days of the American occupation, composed by the Les Misérables pair, Claude-Michel Schönberg and Alain Boublil. Jonathan Pryce was sensational as a Saigon pilot whose American dream of the dollar democracy locates the future in musicals, and Lea Salonga as the child-like geisha projected charm and innocence through a God-given voice. There was an awful lot of serious singing in Saigon, as indeed there was in Andrew Lloyd Webber's Aspects of Love which was handicapped by the awfulness and size of the Prince of Wales Theatre. David Garnett's new play was cunningly adapted, and the score was freshly inventive and touching experimental. Roger Moore dropped out, but Kevin Colson was a more than adequate substitute and Michael Ball survived a heavy dose of publicity to deliver a fine performance. Director Trevor Nunn redoubled his pleasure

was a definitive Emilia, Imogen Stubbs a heart-breaking Desdemona, a sexual cherub with Rappenzel hair.

The Royal Shakespeare Company was otherwise thrown into confusion by the sudden announcement that Terry Hands would leave in 1991, aged 50. The succession has not been arranged, applications closed on September 28 and the new artistic director, or pair of them, should be known early in the New Year. Hytner has withdrawn from the fray, but Adrian Noble threw his hat decisively into the ring with a blistering revival at the Barbican (from which he has fled) to withdraw the company if put in charge) of The Master Builder. John Wood playing Solness as of right, Joanne Pearce a wonderfully seductive and sinister troll awakening the sexually creative spirit. The ubiquitous Richard Hudson designed a brilliant set, part attic, part museum, that spirals with crashing to earth and revealing the fruits of his labours: a dreadful pygmy, neo-classical

model village. The architect as artist and destroyer is a renewed figure of the age. More than one commentator rightly excoriated the RSC for bad planning; the production was allocated barely three dozen performances.

The reason for this is that the RSC does not seem to know where its best work is going to happen. Nothing is settled or predictable. Maybe this is a good thing. John Caird, for instance, responded instantly to the goody-goody waves by setting the Stratford main stage slightly not once, but twice, in the season. His revivals of A Midsummer Night's Dream and As You Like It were sheer pleasures-spreading extravaganzas, both underpinned with stern views on fantasy and escape. David Threlkington's Bottom was beyond recent compare, while Sophie Thompson's Rosalind was the most spectacularly brave and ebullient lead performance on this stage since Anthony Sher's Richard III. Sher himself rejoined the RSC play the lead in Peter Flannery's Singer,

doing too much, and the time has surely come to strip down the entire operation and start all over again. Alas, I fear the RSC governors will have neither the courage nor the will to insist upon this.

There is a dearth of new plays which worries some critics more than it worries me. It is not just a question of economics and troubles at the Court. The action has simply gone elsewhere, and for this reason I value my visit this year to the National Review of Live Art in Glasgow, where the latest in student projects was on view. A new team called the Damned Lovely are worth watching out for. On the fringe, the most interesting work is not at the Bush or the Hampstead Theatre any more, but on the art house circuit. The surprise winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a black man. It signals the arrival on stage of a big, black man, in satin shorts and a silver halter. Our Frank, Britain's favourite loser, is directing his genius in this Christmas to the magic lamp, working all the necessary miracles in Aladdin.

die-brow classic evenings with the ad hoc Alan Bates and Felicity Kendal company at the Strand; I reckon both Jeeves, Bates relating the Chekhov groucher to his Simon Gray days, and Black Ado, delightfully designed by Mark Thompson, were underrated. Elijah Moshinsky directed them, and went on to do Ronald Harwood's autobiographical play of political and domestic escape through art, Another Time, in which Albert Finney thundered effectively across two generations and Janet Suzman and Sara Kestelman were brilliant in support.

Dustin Hoffman was a spitting almost comically Hassidic Shylock in Peter Hall's clear and gripping Merchant of Venice; not a great evening, but Joan Collins looked a treat in the stails, and Geraldine James irradiated a complementary inner beauty on stage as Portia. My favourite visitor, though, was Jackie Mason, who hit London just at the eggs and salmonella scare time and re-wrote his incomparably amusing script accordingly. He said England was the only country in the world where food was more dangerous than

one of the many resilient old men bullied but uncowed by state censorship over the past two decades.

Meanwhile, our international horizons were once again expanded thanks to the indispensable London International Festival of Theatre, LIFT. Anatoli Vasiliev's Six Characters of Pirandello was one of the greatest productions I have ever seen, and the Katona Josef of Budapest, probably the hottest troupe in Europe right now, and the Geneva Miss Julie directed by Matthias Langhoff, were welcome and necessary visitors.

Nothing is more deadly at the moment than the critical backlash against directors' theatre. Plays are written to be performed in a theatre, and that entails a creative process of analysis and anatomical research that can, and often should, run counter to mere literary expectations. There is no more than there is one way of doing it. Vasiliev's Pirandello, for instance, was a creative deconstruction of the sort demanded by such a playwright; to do the play merely as written, as indeed the National did a few years ago, is to duck the interpretative responsibility of the theatrical intervention.

Talking of which, the highlight of the Edinburgh Festival was Yuri Lyubimov's remarkable Boris Godunov; the downside of Lyubimov was seen at the Leicester Haymarket where his unforgettable Taganka Hamlet of the early 1970s was lamely re-cast with ironic English actors. The sweeping curtain had lost its political significance. Elsewhere in the regions, I sense that the Arts Council support of non-experimental work is taking its toll on the programming. The year was dull, with only fitful signs of life at Manchester and Sheffield and Bristol. Alan Ayckbourn delivered a splendid tirade at the seasons Standard Awards' lunch about the need for subsidy; his entire commercial career is based on the security and conditions of his Scarborough bolt-hole, where he unravelled one of the great lost plays of the European repertoire, Henry Beauce's Wolf of the Door. It was like Volpone meets Three Sisters in The Voysey Inheritance. The Citizens in Glasgow remained interesting; highlights were Philip Prowse's bicentennial Tale of Two Cities, done with the magisterial style and simplicity of a Giorgio Strehler Goldenrod production, and Giles Havergal's wittily austere adaptation for four actors of Graham Greene's Travels With My Aunt.

The ever-extraordinary Helen Mirren and reliably solid Bob Peck teamed beautifully in an Arthur Miller double bill, The Wolf Man; at the Young Vic, Eric Porter was a titanic and lyrical Lear in Jonathan Miller's darling Old Vic production, Thelma Holt's international season at the National brought us Nínagawa's once more as the seasons Standard Awards' lunch about the need for subsidy; his entire commercial career is based on the security and conditions of his Scarborough bolt-hole, where he unravelled one of the great lost plays of the European repertoire, Henry Beauce's Wolf of the Door. It was like Volpone meets Three Sisters in The Voysey Inheritance. The Citizens in Glasgow remained interesting; highlights were Philip Prowse's bicentennial Tale of Two Cities, done with the magisterial style and simplicity of a Giorgio Strehler Goldenrod production, and Giles Havergal's wittily austere adaptation for four actors of Graham Greene's Travels With My Aunt.



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by the confidence of being newly installed as an NT actor. Juliet Stevenson was a hard-hearted Hedda in the Olivier. Howard Davies's production notably designed by Bob Crowley around a large wrought iron stairway. The current shift away from naturalism, even in Ibsen, was heralded by the attention lavished on the wanescent in the play, its sub-text of child murder and courageous suicide. These ripples spread rapidly across the play's linguistic surface.

Even more memorable use of the Olivier was made by Crowley, this time with director Nicholas Hytner, in Joshua Sobol's Ghetto, a grim but inspirational account of the last days in the Vilna ghetto, where 10,000 lives are saved by sacrificing 1,000. Maria Friedman yearningly sang the ghetto songs and Alex Ferns, who was a radically aloof SS officer for whom culture was something to fill up the spare time. Contact was made with the rich seam of physical theatre on the fringe by casting the astonishing acrobatic

model village. The architect as artist and destroyer is a renewed figure of the age. More than one commentator rightly excoriated the RSC for bad planning; the production was allocated barely three dozen performances.

There is a dearth of new plays which worries some critics more than it worries me. It is not just a question of economics and troubles at the Court. The action has simply gone elsewhere, and for this reason I value my visit this year to the National Review of Live Art in Glasgow, where the latest in student projects was on view. A new team called the Damned Lovely are worth watching out for. On the fringe, the most interesting work is not at the Bush or the Hampstead Theatre any more, but on the art house circuit. The surprise winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a black man. It signals the arrival on stage of a big, black man, in satin shorts and a silver halter. Our Frank, Britain's favourite loser, is directing his genius in this Christmas to the magic lamp, working all the necessary miracles in Aladdin.

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ARTS GUIDE

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's slyly ocean-going 1936 musical has four or five marvelous songs and a Bloddy Pops falling to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (784 8561, cc 886 2429).

The Good Person of Sichuan (Olivier). Magnificent National Theatre revival by wunderkind Deborah Warner of Brecht's great parable of moral ambiguity about a Chinese prostitute who can only do good by adopting a vicious disguise (225 2252).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Malda Vale. Albert Finney plays father and concert pianist son across 35 years, arguing that talent is a means of escape and a reason for not going back. Janet

Swinnen and Sara Kestelman star electrifying in support (867 1112).

M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomat hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's intricate production. A superbly original decade ago emphasizes the descent into madness of Bob Gruntz as the demmo barber of Fleet Street (238 8200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pagantry and drama (238 8200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full

of characters. It has nevertheless proved to be a durable Broadway hit (347 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a black man. It signals the arrival on stage of a big, black man, in satin shorts and a silver halter. Our Frank, Britain's favourite loser, is directing his genius in this Christmas to the magic lamp, working all the necessary miracles in Aladdin.

Washington. The American theatre is not immune to sequelitis, which plagues the other arts, and here ordains a return trip to the orphanage for Dorothy London surrounded by 18 sets, 33 actors and one dog. Ends Jan 20 (467 4600).

Chicago. Driving Miss Daisy (Orbit Street). The touching relationship between a dowager, played in this production by Dorothy London surrounded by 18 sets, 33 actors and one dog. Ends Jan 20 (467 4600).

December 22-28

Aladdin

DOMINION THEATRE

A new chorus has entered pantomime folklore. Along with "it's behind you," and "Oh, no you won't," and "wanna go wee-wee" we can add "Bru-no," chanted with soccer-yok enthusiasm. It signals the arrival on stage of a big, black man, in satin shorts and a silver halter. Our Frank, Britain's favourite loser, is directing his genius in this Christmas to the magic lamp, working all the necessary miracles in Aladdin.

Es constantly shuffles his feet warily, as if anticipating a mean ad lib from Michael Barrymore's Wishee Washee, and confides his acting to facial twitches. But his good humour and natural affinity with an audience make him a strong addition to a lavish West End pantomime which, for the first time in years, is actually quite enjoyable.

Barrymore, who is rarely off stage, must assume much of the praise. Even when doing nothing he still conveys excitement. He enters at high speed on a Suzuki bike and quickly, in his John Cleese persona, orders two front row fans to leave the auditorium. His pace is relentless, and a limitless ragbag of nonsense songs keep the kids hysterical as they switch from shrieking to pogoing around the aisles. He only slips up in the tots-from-the-audience sequence, reducing a five year old boy to tears with the innuendo that his mum is

a street-walker. Since the programme notes that the "entire production is under the personal supervision of Norman Murray and Anne Childlight," they must share the approval. There are virtually no references to television, either programmes or commercials; there is no smutty winking at the parents - the few blue notes are raced through; there is no concentration on superfluous gits.

There is plenty of plot, even if it is basically rushed through by the interval, and the supporting players have been strongly cast. The Great Sorcerer's solo magic spot is on the sophisticated side for kids but then Dooby Duck adds them in stitches while adults stayed stoney faced. The Roly Polys provide a nice twist as the Chinese Pollockmen, while Alison McInnes is quite the spunkiest Aladdin to emerge in years. Since Helen Jayne as the Princess has an equally powerful voice their throaty dinets were quite a feature.

Antony Thorncroft

Samuel Beckett, the playwright, died on December 22. An obituary appears on Page 12. Sir Lennox Berkeley, the composer, died yesterday. An appreciation will appear in tomorrow's Financial Times.

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Wednesday December 27 1989

Ceausescu's violent end

OF ALL the revolutions which have taken place in Eastern Europe over the past few months, the Romanian has most closely followed the classical pattern of violence, bloodshed and summary retribution. Until the week before Christmas when the Romanian security forces fired on demonstrators in the provincial city of Timisoara, the main characteristic of the anti-communist revolt in Eastern Europe had been its peaceful nature.

The world marvelled as it watched the overthrow of the communist regimes of first Poland and then, in turn, Hungary, East Germany, Czechoslovakia and Bulgaria under the sheer weight of public opinion without the firing of more than a few shots. No doubt, all these remarkable developments were made possible by the increasing certainty that the Soviet Union, under President Mikhail Gorbachev, would not intervene militarily as it had in earlier years when East Germans, Hungarians and Czechoslovaks rose up in protest against repressive communist regimes. Why should the Romanian revolution, which took place in the same context of Soviet abstinence, have taken such a different course?

There is, it is true, a tradition of violent political upheavals in the Balkans. But that can certainly not be the entire explanation for the explosion in Romania. Rather is it to be found in the exceptionally oppressive regime of the late President Nicolae Ceausescu, harsh, brutal and corrupt even in comparison with other former communist regimes in Eastern Europe. When the lid came off a system which caused so much human misery, material deprivation, inequality and poverty, the lash was bound to be particularly virulent.

Long-termism in the City

When it comes to assessing everyone else's attitude to the City of London is frequently accused of taking a short-term view. Not so when it comes to the conduct of its own affairs. Since the Crash of October 1987, the return on capital in the domestic securities business has been dismal. Many houses in the international markets have suffered an equally severe profit squeeze. Yet there is no lack of enthusiastic new entrants willing to bring fresh capital to the market and to absorb discarded dealers and unsuccessful firms. In short, long-termism is rife at the operational end of the securities business, despite the existence of several new threats to the profitability of the market.

The most pressing of these threats relates to the forthcoming European directive on investment services. The latest published draft on capital adequacy for non-bank securities firms to emerge from Brussels bears the stamp of judicious lobbying by the West German banking fraternity, which favours high minimum levels of capital in preference to a risk-based approach. As well as making entry to the business expensive, and thus more difficult for innovative smaller firms, this form of regulation could greatly increase the capital requirements of existing London-based securities houses.

Overkill
The German banks argue for more capital mainly on grounds of prudence, others in Europe claim that this is a case of prudential overkill at the cost of an inefficient use of capital. Whatever the respective merits of these arguments there is little doubt that the attractions both of London and the European Community as a home for US and Japanese securities firms would be severely diminished if the relative cost of doing business in Europe were dramatically increased.

That is one reason for believing that it is unlikely to happen. The London securities fraternity is no longer a passive observer of events in Brussels. It would thus be surprising if the Commission's paper did not go through another

supporters did not have the option of retiring gracefully into private life, as some other East European leaders seem to have had. They knew they had no alternative but to fight for their lives.

Execution

The execution of the President and his equally detested wife Elena, after being found guilty by a military tribunal of a series of crimes ranging from genocide to embezzlement and the destruction of the national economy, must be seen in this context. But secret trials by military tribunals for political and civil crimes, however desirable, cannot be condoned by those who favour democratic regimes and attached to the rule of law.

The reasons for the summary methods employed to condemn and execute the hated dictator and his wife can be understood in the conditions prevailing in Romania during the last few days. With the outcome of the revolution still hanging on a knife-edge and the Securitate showing unexpected resilience in countering the popular uprising, it must have appeared essential to the leaders of the revolution to rid the country of the leader who, alone, could prolong the conflict.

Yet if Romania is ever to take its place as a respected member of the free world, it must be seen to apply the democratic principles in the name of which its people have carried out their revolution. Any further violent retribution would make a mockery of these claims.

The new government headed by President Ion Iliescu, named yesterday, has the difficult task of providing stability and order in a still nervous and tense atmosphere. Its strength, if it can be described as such, resides in the fact that it includes representatives of the two elements which ensured the success of the revolution - the people and the military. It deserves international support. But Romania is in an even more fragile state after its revolution than any of the other Eastern European countries; it will need all the help it can get to pull it back from the brink of chaos.

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Backwash

Japanese equity warrant-related business has provided the most dynamic area of growth in the London Eurobond market. Yet the Japanese authorities are now keen to repatriate the business, which was originally driven away from Tokyo by restrictive regulation. The backwash here will not be confined to those intimately involved in this seemingly esoteric corner of the City. Already larger Japanese securities houses are considering where to redeploy their efforts. Nomura International's recent move into the European retail investment management market may well be a small but telling signal. The diversion of more of Japan's huge pool of cheap capital into a wider spread of markets would generate the more hard pressed in London.

That is not to say that the picture is wholly bleak. One of the ironies of the present situation is that some firms on London and Wall Street with interests in Japan are rumoured to be making more out of their tiny market share in Tokyo than they are making out of their much larger market share on their home territory. Corporate finance activity continues to generate fat fees, although the quality of those earnings is admittedly poor. And profitable niches still exist for people who have eschewed the once fashionable notion of the financial supermarket.

But that cannot disguise the fact that the profitability of core securities business is inadequate. In a world of computerised dealing and increasing liberalisation it is likely to remain so. Even the role of established stock exchanges is coming under competitive threat. With no cushion of retail profits to fall back on, many domestic and foreign securities houses will continue to look to a distant horizon for a respectable return on capital.

In the Romanian border town of Giurgiu last Saturday morning, a peasant family was wheeling the steaming carcass of a pig, just slaughtered, down the truck towards the main road. As it came up to the crowd of people milling about near the border post, the father of the family held up the head, dripping with blood, and yelled: "Ceausescu! Ceausescu!"

At once, the crowd, delighted, began to chant the anthem of this revolution of which an approximate translation is:

"Ole, ole, ole, Ceausescu's gone away."
And then, over and over: "Death to Ceausescu! Death to Ceausescu!"

This uprising has not been - as others in eastern Europe have - a peaceful affair. How could it be? The Ceausescu regime was not merely oppressive, it was barbarous. Those who are making the revolution do not merely want a new government, freedom, a better life. They want the blood. They want to see blood. They want the pig's head held high.

Early yesterday morning, Romanian Television, the artery of the revolution, showed a brief film from Timisoara (where the first events began on December 17 with the demonstration in support of Fr Laslo Tokes, the dissident Hungarian priest). The film showed a torture chamber of the Securitate, the security police. A charred corpse lay on a table in a concrete room, electric wires binding the wrists. All about were handfuls of human hair. It made you gag in the throat. It was the last panicky horror of brutes, seeking to terrify back into submission a people which has now all but engulfed them.

We cannot yet know how many they have taken with them. There has been heavy fighting in Timisoara, off and on, all over the weekend and still on Christmas Day, as the Securitate who had rolled into town last week to quell the riotous forces themselves fighting for their lives. There has been fighting also in Sibru, where Nicu Ceausescu, the disolute son of the dictator, had held court as First Secretary. His private army fought on even after he had been dragged before the television cameras and even restaurants, subjecting people to constant, sometimes tediously pernickety searches; and the militant ardour of the students and young people who began the protest, this gives the city the air of Paris in 1789, losing little of its rawness.

The worst horrors, now, are off the streets. In the Emergency Hospital, Dr Adriana Georgescu, a hollow-eyed surgeon sleepless for four days and nights, speaks of operations performed without anaesthetic because stocks have been exhausted. In the cramped wards, young men lie groaning on beds or on camp beds placed between them.

On Christmas morning in the Metropolitan (Orthodox) church a Christmas service is conducted. The Metropolitan, Teoctist Botocanesu, venerable and a little shabby, leads the responses as the choir sings. As he invokes the memory of those who have died, a great bell begins to toll over the square below, where the former president had nearly finished building his gargantuan Palace. As it does so, shots ring out. Soldiers about the church fire, it seems without aim, in the direction of the Palace. Inside the church, women moan and some weep.

Just beside the Central Committee building is - was - a main university library, a handsome late 19th century structure with two fine domes, both now reduced to a skeleton. Next door was the Securitate building of the presidential guard. When the fighting started last Thursday night, some of them moved to the library to fire on the crowds and the army. The library was shelled and machine-gunned to a blazing ruin. Its director, Ion Stoika cries as he talks amid the wreckage of the first folios of Shakespeare, the manuscripts of Rabelais and the many Romanian rare editions and papers which were either burned or reduced to pulp by

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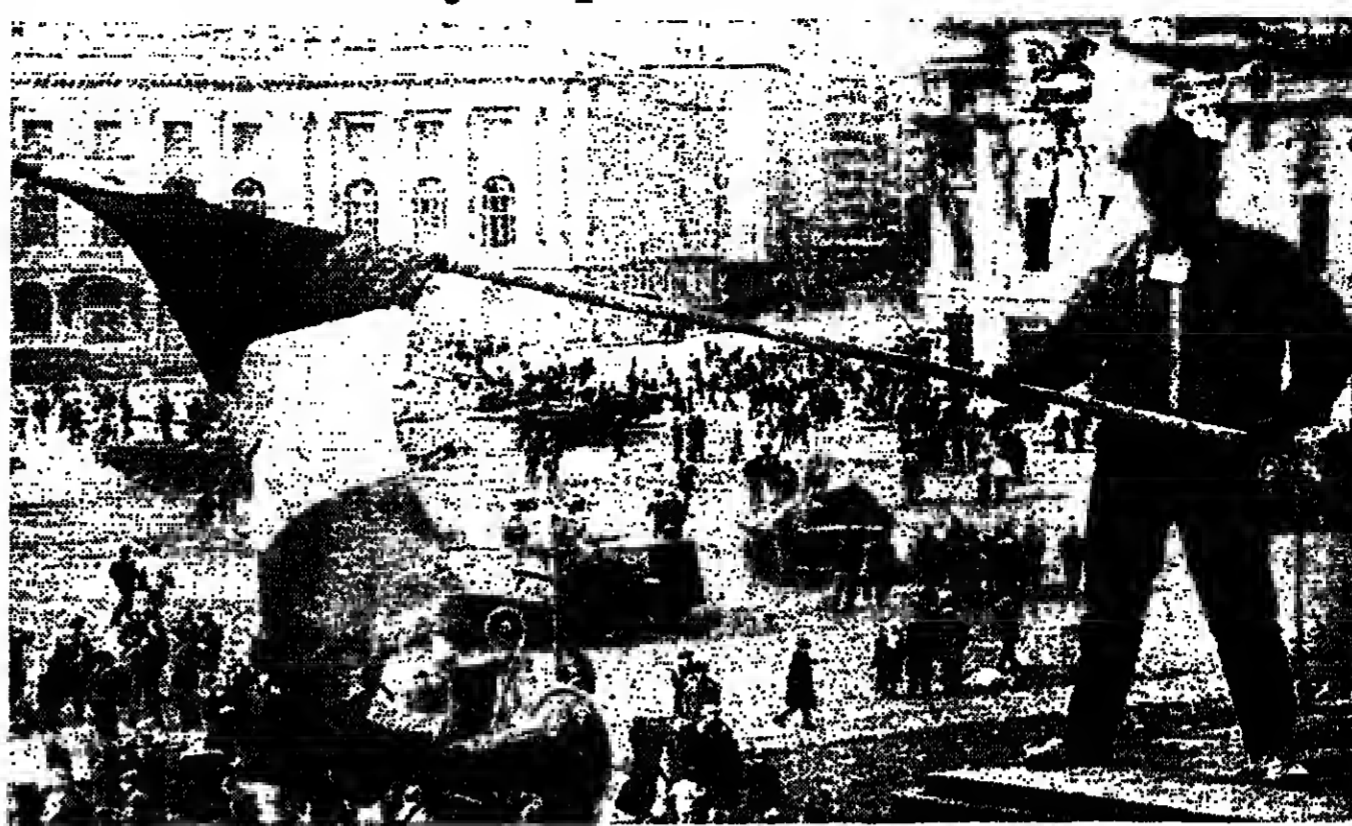
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John Lloyd reports from Bucharest



Romania's raw, vengeful revolution

building up outside, demanding to be shown the death film, complaining that the army was acting high handedly, and - when the composition of the government filtered out - objecting fiercely that it was led by Mr Ion Iliescu, a Communist, albeit a dissident one.

The continued use of French as a second language makes communication relatively easy here. Taken together with the angry populism of the crowds; the insistent pressure of the little street committees which control Metro stations, intersections, public buildings and even restaurants, subjecting people to constant, sometimes tediously pernickety searches; and the militant ardour of the students and young people who began the protest, this gives the city the air of Paris in 1789, losing little of its rawness.

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but it was no time for close analysis. Two concerns predominated. First, a lingering fearfulness, the continuing belief that the Securitate can in some way regroup and fight back - a tribute to their domination of political and civil life, electric manacles attached to every crevice. And also, constant pleas on the part of Romanians to see their country as one which is waking from a nightmare to normalcy.

"A week ago I could not have spoken to you," says Vlad Leanu, a flight engineer with Tarom, the state airlines, shouting over a fuselage. "You cannot imagine how we have been reduced," says Mircea Stan, a foreign trade official.

Both of these young men were rather privileged. They could travel, had learned good English, knew what life was like outside. Yet there is not a shred of loyalty to the old system in them. Simply an assumption that once fear had been released, they could bury it and try to live better. Because the Ceausescu created a state ruled so wholly by fear, there appears to be little volition to look for culprits within a *nomenklatura* - everyone was, in a certain way, equal under the terror.

Yet even in this more closed of the closed societies (Albania apart) enough filtered in to subvert. Broadcasting from abroad, Radio Free Europe, Voice of America and the BBC World Service were able to circulate news of dissent and because the Ceausescu created a state ruled so wholly by fear, there appears to be little volition to look for culprits within a *nomenklatura* - everyone was, in a certain way, equal under the terror.

Once the uprising had happened, domestic radio and television took over, pumping out a constant awkward diet of unimaginably low technical quality which has done more than the most gracefully crafted documentary to inform and inspire. In this, even more than in Czechoslovakia last month (where: broadcasting played a central role) television has sustained the belief that revolution was possible and could succeed; hence the heavy guard outside the studio and the air of siege within.

The shattered rooms of the Central Committee building yesterday, their omnipresent ornament the collected works of Nikolai Ceausescu, offered a unique tableau of the Fall of Tyranny. In the end, nothing saved the terrible family, not their wealth, not their Party, not even their psychopathic guards who scuttled like rats before a people finally risen.

It offered, too, a reminder of how precarious are liberal sentiments. Outside was a crowd baying to be shown the last pictures of the Ceausescus. I heard not one word from the foreign press corps of disapproval at this (nor did I utter any). Nor was there any condemnation of the many who came up to reporters to insist that the Ceausescus should be slowly hanged, or tortured to death or imprisoned in a public cage.

This revolution of a degraded people called forth and inspired a response which was itself inevitably degraded. If that response can be excoriated by the Ceausescus' death, as they are exhibited like the pig's head in Giurgiu before a delighted nation, then the country has a chance to rise once more.

The Centre goes under

A sad tale came to an end in London just before Christmas. After 21 years of operation, the Trade Policy Research Centre is finally to close. The decision was taken by an Extraordinary General Meeting of the Centre's members last Thursday.

The thing is ironic. One of the few research institutes to take the global trading system as its brief is to cease its operations just as the Uruguay Round enters its final, fraught year.

The Centre has been controversial, but how could an institute whose subject was trade and protectionism do a good job and be anything else? There can be few with an interest in the international trading system who would deny the influence it has exerted through its meetings, its research and its journal - The World Economy.

Some efforts were made to bring new funds into the Centre once its difficulties became obvious, but these were rendered difficult by the failure to find a new chairman to replace Sir Kenneth Durham, the former head of Unilever. Yet that failure was itself symptomatic. It is remarkable that not one senior business figure has seen fit to make this cause his own. Moreover, by the time the problems were public, they had been mounting for years.

There were managerial failings at the Centre, to be sure, but chronic underfunding was the basic problem. The truth is that British and European businessmen do not appear to understand the role they need to play in policy formation. They are unwilling to support policy-oriented research, especially when it may prove controversial, and presume that government-sponsored research will adequately serve the public good. This is particularly unlikely in the case of trade, however,

since trade policy consists largely of government support for special interests and pressure groups. Objective government research into trade policy scarcely exists.

How different it all is in the US, where a host of dynamic private research institutes - from the grand and celebrated to the small and obscure - compete for attention. In Britain, and to some extent in the European Community as a whole, potential supporters of the Centre have looked their responsibilities in the face - and turned away.

Money in cards

Here is a post-seasonal thought. One of the latest paid executives we have come across is A D Brownword, chairman of The Andrew Brownword Collection Limited, the company which recently acquired another greetings card publishers, Gordon Fraser Holdings Limited. According to the company's audited accounts, Brownword's personal emoluments last year were £2,616,013 - way above anything received even by the likes of Lord Hanson. The company's turnover was £11.6m and the accounts also note a charitable donation during the year of £5,000.

GM on screen

Roger and Me was released in the US last week after receiving great acclaim at the New York Film Festival in September. The Roger in question is Roger Smith, the chairman and chief executive of General Motors. And the film has heaped fame and fortune on Michael Moore, its writer and director. Moore is being called a latter-day Mark Twain and Warner Brothers has paid him millions of dollars for the distribution rights.

yacht club to luxury hotel to GM's gloomy headquarters. At his request was for Smith to visit Flint to see the devastation he had wrought. The result is a satire being marketed as a comedy. "One of the most entertaining movies of the year," say the Warner ads. But it still hurts. Odd that there has been nothing like it in Britain.

Dilemmas

It struck me as slightly strange that of the two great dramas to unfold over the holiday period one was in a country that was the model for Ruritania and the other was in a place that might have been referred to as banana republic. No great moral in that, except perhaps that we should never underestimate the capacity of small states to surprise.

Yet in their way both Romania and Panama raised moral questions as old as time. Should you ever execute a tyrant, however heinous, without trial? And should the Church be allowed to provide sanctuary to a wanted man like General Noriega? Does anyone really know the answers?

Variables

Useful fact: the National Audit Office, which has been examining test processing in the Civil service, has discovered that the output per typist in the pool with the greatest output rate of those examined was no less than seven times that of the least productive pool. The NAO also found that the pool with the highest unit costs was six times as expensive as the cheapest pool. There must be some explanation.

Almost there

A seasonal greeting seen in a New York restaurant window - Pizza on Earth.

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GREAT UNPRONOUNCEABLES OF OUR TIME

(Pop-o-catter-petal, Aztec Popoca to smoke, tepali, a mountain) is easily the most unpronounceable volcano. It rises in the form of a cone to a height of 17,720 feet above the sea-level and is composed chiefly of porphyritic obsidian. Although no eruption has been recorded since 1540, it still smokes. This hot, volatile, Mexican geological peculiarity has no connection whatsoever with the smooth, subtle and infinitely dependable qualities of Bunnahabhain (Bu-na-ha-venn) 12 year old single malt Scotch whisky.

Bunnahabhain is distilled on the Isle of Islay and the pleasures of drinking it are directly proportional to the difficulties of pronunciation.

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Guy de Jonquieres assesses business people who have shaped the decade

Iconoclasts at work

For businesses worldwide, the 1980s were marked by two overriding themes. First, iconoclasm. Ideas, rules and values which had governed corporate life almost unquestioned, in some cases since immediately after the Second World War, were relegated to the museum.

Sectors such as shipbuilding and steel, once numbered among the "commanding heights" of industrialised economies, were dispatched to the sickbay. An international stampede to develop and harness the promise of the fast-growing new technology industries, notably microelectronics, while manufacturing methods were rethought worldwide in the light of intensified Japanese competition.

A new class of heroes was created as the standard and the paradigm shifted. The salaried corporate executive to become business role model for the decade. Above all, the market - and in the Anglo-Saxon world, the financial market - reigned supreme, elevating and displacing of favourites with despotic ruthlessness.

The second dominant trend was accelerated internationalisation. Spurred on by fiercer competition from abroad, the limitations of their home markets, the search for scale economies and advances in communications technology, companies throughout the industrialised world boldly extended their reach. "Globalisation" became the management credo of the decade, earning fortunes for consultants - if not for many businessmen who tried to implement it.

Historians may argue over how far this vortex of creative destruction was due to the actions of individuals and how far to forces which outstripped anyone's control. Yet, in business as in politics, the turbulent 1980s threw up certain individuals who stamped their personal mark firmly on events.

The routine assignment of judicial briefs handed Harold Greene, a hitherto little-known judge at the Washington DC district court, responsibility for reshaping an entire US industry.

In enforcing the 1982 consent decree which ended the Justice Department's anti-trust case against AT&T, Judge Greene supervised one of the largest corporate break-ups in US history, involving the distribution of \$150m of assets. Since then, he has exercised considerable power over the basic direction of US telecommunications policy.

Similarly, little in the earlier career of Lord Cockfield - a 68-year-old tax expert, retired managing director of Boots and unmemorable former UK Trade Minister - marked him out as a man of the hour when he became European Internal Market Commissioner in early 1985.

Though Lord Cockfield did not invent the single market plan, he made it credible. By basing his new rules firmly on liberalisation and competition, rather than on



Harold Greene

Lord Cockfield

Carlo De Benedetti

Percy Barnevik

Michael Milken

Don Estridge

Akio Morita

Koji Kobayashi

Tadashi Kume

Sir John Harvey-Jones

Rupert Murdoch

long-winded harmonisation, and by keeping unrelenting pressure on EC governments to approve them, he persuaded Europe to view the removal of its internal barriers not just as an ideal, but as an exhilarating inevitability.

No one seized these new opportunities more flamboyantly than Carlo De Benedetti, the Italian financier/industrialist who first attracted international attention when he instituted the recovery of computer-maker Olivetti in the late 1970s. He was quick to grasp that Europe's internal barriers had led over many years to a substantial accumulation of under-exploited and under-valued assets behind national frontiers. If new management could gain control of these assets and use them more efficiently, he reasoned, both their owners and national economies would benefit handsomely.

The most dramatic test of De Benedetti's tactics was his 1987 bid to acquire Belgium's sprawling Société Générale holding company. After months of struggling, his prey escaped into the arms of France's Suez group; since then De Benedetti's drive to lead the restructuring of European industry seems to have lost momentum. His enduring contribution, however, is to have proved that large contested takeover bids can be mounted across continental European borders.

Bold international mergers and acquisitions were also the route by which Percy Barnevik rose in 10 years from comparative obscurity as an executive with Sandvik, a Swedish specialised toolmaker, to head the world's largest electrical engineering group. Its nucleus was ABB, formed by the merger which Barnevik master-minded between Asea of Sweden and Brown Boveri

of Switzerland in 1988. That deal, the largest in European history, galvanised an industry weighed down by vast excess capacity and a structure which had changed little for 40 years. The result was an avalanche of worldwide rationalisation, as part of which ABB also expanded further into the US by acquiring Combustion Engineering and Westinghouse's electrical transmission equipment business.

Meanwhile, much US industrial restructuring drew its inspiration, not from the boardrooms of great companies, but from Beverly Hills. This anomaly - but not wholly inappropriate - source was the chosen habitat of Michael Milken, certified workaholic and sole inventor of the junk bond market.

His discovery that high-risk securities could be sold successfully if they carried high enough yields

fuelled the wave of hostile takeovers and leveraged buy-outs which reshaped America's corporate landscape in the 1980s. Without Milken and the access to finance he provided, corporate raiders such as Carl Icahn and LBO wizards such as Henry Kravis could never have struck terror into so many American top managers.

At the height of Milken's success, issuing enough junk bonds to satiate investor demand was his single biggest problem. Today, it is a 98-cent federal indictment on charges of fraud, racketeering and tax law violations. Almost as uncertain as his own future is that of the market he created.

Not all US business coups of the decade were based on financial engineering. IBM's entry into personal computers in 1981 was a textbook case of brilliant marketing, which revolutionised the market by

legitimising the machines as business tools. Unusually in a giant corporation, much of the credit was due to one man, Don Estridge, maverick head of the independent division set up specially to handle the PC launch. Estridge, who died in an air crash in 1985, was the man who introduced bearded youths into the clean-cut button-down world of IBM.

It seems surprising that the feverishly inventive world of electronics produced so few truly memorable figures in the 1980s. That is due in part to a decisive shift in the focus of innovation, away from fundamental laboratory breakthroughs by individuals and towards co-ordinated teamwork in applying multiple technologies.

Nobody mastered that shift better than the Japanese, who during the decade wrested from the US much of its industrial and technological pre-eminence. If Japan's rise was

symbolised in the west by one man, it was Akio Morita, outspoken chairman of Sony. He became a central figure in the increasingly tense debate over US-Japanese relations, harshly criticising American attitudes in a recent book.

However, the Japanese electronic industry's biggest achievement in the 1980s was in developing well beyond the consumer products in which Sony specialises. Koji Kobayashi, with his vision of the coming era of "computers and communications," was among the pioneers of that trend. As chairman of NEC until 1988, he made it a world leader in microchips, supercomputers, mobile communications and facsimile machines, and one of the first Japanese companies to establish large-scale chip production abroad.

Tadashi Kume played at least as influential a role in Japan's motor industry. As head of research and development at Honda, he transformed Japanese cars' image as dowdy products which sold mainly on reliability and price by pioneering innovative engineering and elegant design. As head of research and development for the past seven years, he has accelerated its expansion in the US, where it led the Japanese car industry in setting up local production. By comparison with Japan's industrial performance, Britain's economic "miracle" looks decidedly modest and fragile. Yet the UK's industrial recovery was undeniably one of the business stories of the decade. Sir John Harvey-Jones probably contributed more than any other businessman to its impetus.

ICI, under his chairmanship, shook up traditional management methods, refocused its businesses and pressed ahead aggressively with international expansion. Even more important, Sir John came to symbolise success to a wider audience. His achievements in the first half of the 1980s served to encourage *les autres* by demonstrating that in some sectors, at least, UK industry could still aspire to world-class standing.

No list of business prime movers would be complete without Rupert Murdoch. By smashing the power of the British print unions, he launched the country's newspaper industry into a new era of production technology and used the hugely increased profits from his own UK titles to finance plans for a global media conglomerate.

An inveterate risk-taker, Murdoch likes to pose as champion of consumer choice and enemy of entrenched monopoly power. His critics, however, accuse him of trying to build internationally just the kind of unaccountable media monopoly he claims to despise.

Mould-breaker or empire-builder? The question provides an appropriate epitaph for the 1980s, when many old business icons were shattered, but many new ones were also erected in their place. The 1990s may show whether the new prove any more durable than those that went before.

LETTERS

Against floating exchange rates

From Mr Maurice Nadin.

Sir, Professor Friedman sets out the case for floating exchange rates (FT, December 18), but not the case for fixed rates, under which exporters and agents dealing abroad in foreign currency make better profits.

This was clearly explained by Paul Sinzig 20 years ago in his book *The Case Against Floating Exchanges*. Indeed, Professor Friedman says he is sceptical that a system of freely floating exchange rates is politically feasible.

Bankers, who make huge profits out of floating exchange rates, are never in favour of fixed exchanges. Professor Friedman says it is only practi-

cal to have our central bank if we had a truly unified European currency. Is this a threat or a promise?

I would far rather have the value of the money I use properly maintained from the Bundesbank or anywhere else, rather than badly maintained (as it is now) from the Bank of England.

To Mrs Thatcher, the loss of sovereignty is all important. To the rest of us, an improvement in the management of our money would far outweigh any loss in prestige.

Maurice Nadin
Blackhouse,
Thorpe,
Egham,
Surrey

US thrifts and banks

From Mr Richard Finchell.

Sir, Your leader on US thrifts (December 6) makes the point that "legislation is needed to restrict (Federal deposit) insurance to the depositor rather than the deposit."

It is generally accepted, not only in the US, but elsewhere, that supervisory control of assets (rather than liabilities) is the key to safe banking. The US is not alone among developed nations in offering 100 per cent insurance of deposits in each selected bank. Canada has a similar system and its banking sector has never been in crisis. In western Europe, many countries provide a state guarantee, not only for 100 per cent of deposits, but also without deposit limit.

When the US government in 1933 enacted 100 per cent deposit insurance, it had two objectives: to restore public confidence in the banking system and to disperse banking control over the economy as widely as possible by encouraging depositors to put their money in small as well as large banks. Despite huge losses suffered by both US banks and thrifts in recent times, deposits are at record-high levels. The fact that there are today 18,000 independent banks and thrifts must surely indicate that American banking power is broadly dispersed.

For these historical reasons, it is unlikely that the US Congress would make the changes you advocate in Federal deposit insurance.

Richard Finchell,
North American
Financial Markets Ltd,
28 Welbeck St, W1

Forestry in Scotland

From Mr G.E. Watt.

In his article on environmental issues in Scotland (Survey, December 15) Stewart Dalrymple made number of statements concerning forestry which require correction.

Investors can expect, and have achieved, higher financial returns than the 3 per cent reported as a usual commercial return. Returns in the private sector can be expected to be between 5 per cent in real terms, assuming no timber price increases in real terms. It seems inconceivable that trustees of pension funds (among the long-term investors mentioned by Mr Dalrymple) would proceed with an investment in today's market conditions knowing that it would only yield 1 per cent.

It is not true to say that conifers are planted densely because of high winds. Wind is certainly an important influence on silviculture, affecting decisions on whether to thin or not, but not on how many trees to plant per hectare.

Dense plantations of conifers can restrict flora and fauna. The trees are not the determining factor, but the density of the planting. On better quality land at lower elevations conifers can be thinned regularly, providing better conditions for the development of a varied flora and fauna.

The lesson to be drawn from the Flow Country debate is that forestry and conservation interests can work together. At a time when many natural forests are fast disappearing, there is a strong case for re-establishing the woodlands that once existed in Scotland.

G.E. Watt,
John Clegg & Co,
2 Rutland Square,
Edinburgh

at by the acquisition."

In fact, virtually no company accounts in this way and there is no convention that requires it. The cost of acquiring shares in a subsidiary is normally carried at cost until there is permanent impairment of the carrying value. As goodwill is inextricably bound up with the value of a company or business we believe that accounting for goodwill should be consistent with this approach.

Mr Walker also infers that we make the assumption that the stream of benefits supporting goodwill will be permanent. We do not. We merely argue that there should not be an automatic assumption that they disappear "systematically" over a predetermined period and that if they are maintained the goodwill does not need to be written off.

Graham Stacy,
David Tweedie,
Southbank Towers,
33 London Bridge Street, SE1

Channel Tunnel economics

From Mr Charles Okeahialam.

Sir, A.J. Dewessy (Letters, December 13) is right to criticise British Rail's suggestion that there would be a delay in the introduction of safety measures at Kings Cross if Parliament were to postpone consideration of the Channel Tunnel terminal bill.

However he also says that "Parliament was misled about the need for a link when the Channel Tunnel Act was agreed - MPs should engage in no further debate about BR's proposals until the package as a whole has been announced."

Early decisions on the economics of the Channel Tunnel took into account forecasts primarily based on aggregated data. Since 1987 most forecasts have been derived from disaggregated data. One major benefit of the use of this data for Eurotunnel, cross-Channel

ferry operators, British Rail and other Channel Tunnel forecasters has been the ability to analyse the effect of mode choice and switching (road/rail) by passengers and freight.

A high speed rail link was deemed necessary in the Channel Tunnel Act because the trend in historic demand and forecasting methods did not suggest this.

It is now clear that the building of the high speed rail link will improve the efficiency and increase the utility derived of the Channel Tunnel itself, ferry operations, transport networks in the south-east corridor and (if extended) the north-south flow of traffic in the UK as a whole. This should be welcomed and further debated publicly particularly in the House of Commons.

Charles Okeahialam,
Channel Tunnel Research Unit,
University of Kent

Goodwill and conventional accounting

From Messrs Graham Stacy and David Tweedie.

Sir, Martin Walker (Letters, December 18) says our views on accounting for goodwill (FT, December 7) are incompatible with the conventional method of acquisition accounting. He then misdescribes the conventional method as "the purchase of a subsidiary is treated just like the purchase of any other asset, that is, the price of the acquisition is matched against the financial benefits gener-

ated by the acquisition."

In fact, virtually no company accounts in this way and there is no convention that requires it. The cost of acquiring shares in a subsidiary is normally carried at cost until there is permanent impairment of the carrying value. As goodwill is inextricably bound up with the value of a company or business we believe that accounting for goodwill should be consistent with this approach.

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Graham Stacy,
David Tweedie,
Southbank Towers,
33 London Bridge Street, SE1

Dial again

From Mr R.D. Rainbow.

Sir, Surely the use of the word "zero" instead of "ought" on the telephone and radio causes confusion. Most of us tend to think only either numerically or alphabetically at a time. Shop staff and travel agents sometimes try to write down dialled telephone numbers with "z" (looking like a "2") rather than "0."

R.D. Rainbow,
31-33 Abington Square,
Northampton

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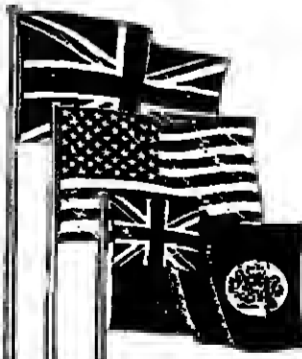


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FINANCIAL TIMES

Wednesday December 27 1989

TAYLOR WOODROW
TEAMWORK IN PROPERTY WORLDWIDE

Japanese central bank lifts discount rate

By Stefan Wagstyl in Tokyo

JAPANESE businessmen and investors yesterday reacted with relief to the Bank of Japan's decision on Monday to raise the official discount rate by 0.5 percentage points to 4.25 per cent, which ended uncertainty about the key monetary policy instrument.

The central bank's plans to change the rate had been published in advance by a row between the bank, which wanted an increase, and the Ministry of Finance, which did not.

The argument created considerable turmoil in the Tokyo markets, as Mr Yasuhiro Mieno, the central bank governor, and Mr Ryutaro Hashimoto, Finance Minister, made conflicting public statements.

Monday's announcement of the increase this year brought relief to the markets.

The Tokyo stock market rose 38.25 on Monday and a further 257.69 yesterday to a record 38,681.31.

The yen firmed against the dollar.

Currency and stock market traders said there was little possibility of another interest rate rise before the general election, which is expected to be held in late February.

The central bank, however, intends to maintain a tight grip on liquidity to stem inflationary pressures created by the country's strong economic expansion.

Increase in price indices do not look excessive. According

to figures published yesterday by the Government's Management and Co-ordination Agency, consumer prices fell last month by 0.1 per cent from October.

However, in Tokyo, consumer prices this month have risen by about 0.1 per cent.

The agency said that with a rise in oil prices, a decline in the yen, and the introduction of a 3 per cent value added tax in April, "the conditions that supported low price rises in the past few years have faded."

The central bank's concern is that increases in some parts of the economy - including land prices and wage rates - could feed into other areas.

Mr Mieno said there was strong upward pressure on prices.

"If we act after price levels have gone up, we would have to raise the rate by a much wider margin and that would have a grave impact on the economy," he said.

The financial establishment rallied round Mr Mieno, including the Finance Minister, who had whatever private doubts he may have had and said the increase was "timely and appropriate."

Business leaders said the decision would have little direct impact on investment plans.

Nomura Real Estate, a subsidiary of Nomura Securities, said the effect on land prices would also be minimal given that demand was strong and that supply was limited.

"The rate no longer has the same impact on markets as it did before because financial liberalisation has created large new, short-term markets with free rates."

The rate for three-month certificates of deposit is hovering at just under 7 per cent - well above the official rate.

But the official rate remains important as a powerful indicator of central bank policy.

Japanese surplus falls "are key to market stability," Page 4

Refining the price of commodities

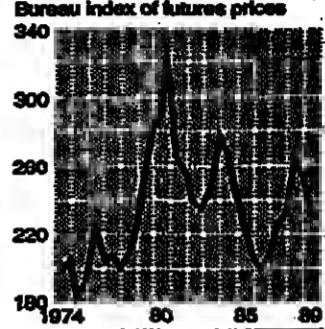
After the inflationary trauma of the 1970s, the long economic upsurge of the 1980s has been partly due to the restraining effect of low commodity prices. The 1990s may not be able to repeat the trick. The price of oil, easily the most important reference point, is again nudging \$20 a barrel, though OPEC's restrictions are hard to predict, few are expecting a return to the mid-1980s lows. And two issues which seem set to dominate the 1990s - the environment and the transformation of the Comcon bloc - seem set to push up other commodity prices.

Metals have taken some time to recover from the effects of the two oil shocks, which forced industry both to be more efficient in their use and to turn to substitutes. But the potential number of uses. On the demand side, the newly industrialising countries now constitute a growing 20 per cent of world metal buying interest. With Eastern European demand for consumer goods being released in the 1990s, that should be good for metal prices, too.

Soft commodity prices are heavily dependent on the weather. Whether or not one believes in global warming, the world does seem to be in the middle of a period of climatic extremes. Such wild weather is bad news for crops and for farmers, who tend, partly because of government subsidies, to be slow to adjust. Taken with a growing distaste in Western countries for the excessive use of fertilisers and insecticides and with little evidence of a new "green revolution" in agricultural technology, this suggests that there is limited scope for improvement in crop yields in the 1990s. On the demand side, world population is still growing inexorably. In Eastern Europe there is substantial pent-up demand for food which the new leaders will be eager to satisfy. It all adds up to demand which inflation: those books on current cost accounting might yet come in handy.

Commodity prices

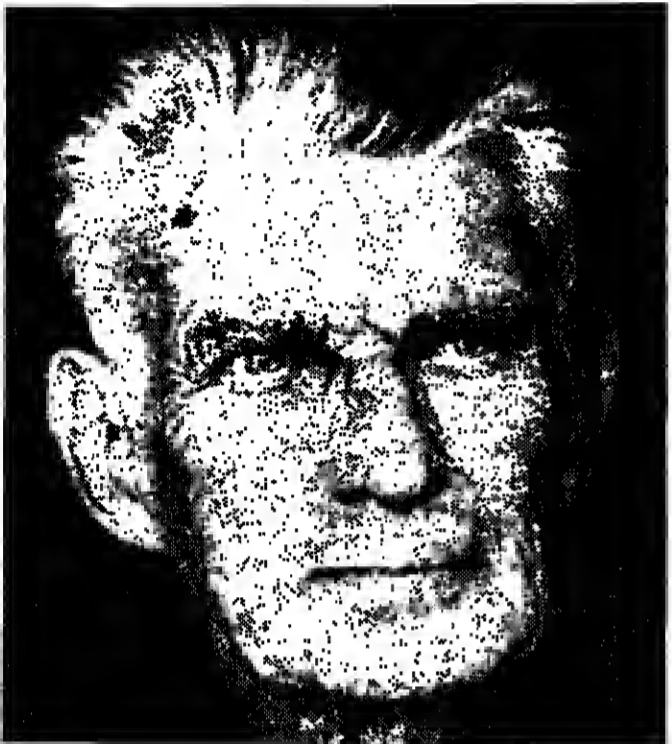
US Commodity of Research Bureau index of futures prices



gins have quadrupled and though revenues are only up by 40 per cent, net income has jumped more than seven times. But there are signs that most of the benefits of this necessary house-cleaning have been squeezed out. Last year operating profits fell by 3 per cent on a 7 per cent rise in revenues; the trend has continued in the current financial year. Meanwhile, the diversification into special interest magazines is proving difficult and operating losses have risen from \$1m in 1988 to \$12m last year.

The Reader's Digest's strengths should not be underestimated. Apart from its pre-eminent position in the US, it is one of the leading magazine and book publishers in Europe and one of the world's leading direct mail marketers. Its customer base of over 50m US households, along with its name, must be its most powerful asset.

Nevertheless, its success still depends on the continued health of a magazine whose circulation has stopped growing, and nearly a third of whose subscribers need to be replaced each year. The demise of once-powerful US magazines like Life, Look and the Saturday Evening Post, plus the expensive problems newsweeklies like Time and Newsweek face in maintaining circulation, are reminders that the rewards in running great US magazines can be tempestuous. Meanwhile, the voting restrictions mean that predators like Mr Rupert Murdoch or Mr Robert Maxwell are never going to be able to take over the digesters.



Samuel Beckett dies in France

By Anthony Curtis in London

SAMUEL BECKETT, the Irish novelist and playwright who made France his home, died on Friday at the age of 83 and was buried yesterday in Paris. He was one of the most original writers of his time, inheriting a form of English prose thoroughly deconstructed by fellow Irishman James Joyce and refashioning it to serve his own sense of the human mind at the end of its tether.

Beckett's name became widely known in the English-speaking world with Peter Hall's 1955 London production of the enigmatic play Waiting for Godot; the Beckett cult was born overnight.

The play, first written in French and produced in a small Paris theatre, was the work of a man who had been writing poetry and fiction in both languages steadily since 1930. An early volume of short stories More Pricks than Kicks was published in England in 1934 and his first novel Murphy in 1938.

The background of the literary rebel who would effect a shattering assault on the linear novel and the well made stage play was wholly conventional and middle class.

He was born in the Dublin suburb of Foxrock, an affluent Protestant enclave. His father William Frank Beckett was a civil engineer, his mother May a regular churchgoer and animal lover.

Beckett went to the Portora Road school in Enniskillen where he acquired his love of cricket and of chess - both lifelong passions - and then in 1923 he became an undergraduate at Trinity College, Dublin.

His student mastery of French led him to the Ecole Normale and to a friendship in Paris with Joyce. He was never his secretary but he helped him with manuscripts and wrote a seminal article on Joyce's work in progress.

The handsome bright young Irishman attracted Joyce's daughter Lucia and the wealthy art collector Peggy Guggenheim. At this period Beckett had thoughts of becoming an academic, and he wrote an essay on Proust, later published.

But his heart was not really in university work; after a period in London where he suffered a breakdown reflected in Murphy, he returned to Paris as a freelance writer and remained there for the rest of his life. He lived with and later married the pianist Suzanne Desmet.

Beckett remained in France during the war, working for the Resistance for which he was awarded the Croix de Guerre. At the liberation he returned to his Paris apartment in the Rue des Foyatiers, where he lived until 1961 when he moved to the Boulevard St Jacques.

The early postwar years saw the publication of his trilogy, Molloy, Malone Dies, The Unnamable, and then in the 1950s his growing international reputation as a playwright with productions all over the world of Godot and Endgame. He was awarded the Nobel Prize in 1968.

As his reputation increased, Beckett's work became ever more stripped to the bone and impenetrable. A huge academic industry grew around it. Terms like the theatre of the absurd were employed in a vain attempt to elucidate works whose whole point was their resistance to facile critical explanation. But if critics were frustrated, actors and directors found marvellous material in Beckett. Jack McGowan, Patrick Magee, Eillea Whelan and, in Germany, Klaus Herm have all enhanced their careers through his work.

Bappy Days, where the heroine remains up to her neck in sand throughout the entire play in a characteristic Beckett pose of immobility, is an imperishable classic of the modern theatre.

Gorbachev averts party split with mission to Lithuania

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet leader, yesterday postponed a potentially disastrous split in his ruling Communist Party by agreeing to lead a top-level mission to the Baltic republic of Lithuania to head off its threatened secession.

The emergency move, involving a whole team of the top Soviet leadership, came the day after he condemned the Lithuanian Communist Party for attempting to break away from the Communist Party of the Soviet Union (CPSU), charged that such an act could lead to the break up of the Soviet Union itself.

It was decided after two days of extraordinary debate in a full-scale plenum of the CPSU central committee, which once again brought a welter of conservative criticism of the process of political reform, but failed to reach any conclusion about the fate of the Lithuanian Communist Party.

Instead, the plenum gave unanimous support to Mr Gorbachev's rigid line on party unity, but postponed the issue of an outright split until he has tried to use his own personal blend of persuasion and authoritarianism to swing round the rank-and-file Lithuanian Communists.

However, the Soviet leader would appear to have days, rather than weeks, to resolve the inner-party crisis, with another plenum to be summoned on his return.

All the indications are that the CPSU central committee will then move to expel the vast majority of the Lithuanian Communist Party, and in particular its leader, Mr Algirdas Brazauskas. That in turn may simply accelerate the process of Baltic rebellion, encouraging the Communist Parties in both Estonia and Latvia to follow the Lithuanian lead.

The seriousness with which Mr Gorbachev and his Politburo are treating the Lithuanian breakaway was revealed in a doom-laden speech which he delivered to the Central Committee on Christmas Day, and by Mr Vadim Medvedev, his ideology supremo, at a press briefing yesterday.

Mr Gorbachev rejected the Lithuanian move as "illegitimate", declaring that one of the key elements in building a new Soviet Union was "the impossibility to reject the single structure of the CPSU."

"If we cross this line, then we can be said to be deliberately aiming at breaking up the Soviet Union," he said. "This would be a blind alley for all the nations of the Soviet Union."

"The present party and state leadership will not allow the break-up of the federal state."

However, Mr Medvedev, one of Mr Gorbachev's closest allies in the party leadership, insisted that any use of force to maintain the union was still flatly rejected by the leadership.

The Soviet Union had denounced the use of force both in Czechoslovakia in 1968, and in its invasion of Afghanistan in 1979, he said.

"We did not do this in order to use military means to resolve problems in the Soviet Union. We stand for political solutions, and on the basis of that we are going to search for ways to resolve the problems of relations between different nationalities in the Soviet Union."

At the same time he echoed Mr Gorbachev's words that the Lithuanian Communist Party's attempt to break away was a grave blow to the whole party, not least because of government subsidies, to be slow to adjust. Taken with a growing distaste in Western countries for the excessive use of fertilisers and insecticides and with little evidence of a new "green revolution" in agricultural technology, this suggests that there is limited scope for improvement in crop yields in the 1990s. On the demand side, world population is still growing inexorably. In Eastern Europe there is substantial pent-up demand for food which the new leaders will be eager to satisfy. It all adds up to demand which inflation: those books on current cost accounting might yet come in handy.

destroyed the south Lebanon headquarters of the Communist Party in the Syrian-controlled village of Rmalleh, 20 miles south of Beirut, in the 16th air strike into Lebanon this year.

Slugging out the small Lebanese Communist party was unusual. Most Israeli raids into Lebanon are against Palestinian or Moslem Fundamentalist groups.

But Israeli military officials said the Communist Party had been involved in recent attacks on their forces in southern Lebanon.

Israel budget; Tuva visit, Page 2

Israel raids Lebanese bases

By Hugh Carnegie in Jerusalem

ISRAELI FORCES struck deep into Lebanon yesterday in two separate raids which the military said were aimed against Lebanese Communist Party bases involved in launching attacks on Israeli troops and their local allies in Southern Lebanon.

In the biggest raid involving Israeli ground forces since commandos attacked a Palestinian base near Beirut in early December 1988, combined ground and air units swept down on two villages in the southern Bekaa Valley in the early hours of yesterday morning.

Reports from Lebanon said mobile armour drove north from the border security zone occupied by Israel and airborne troops and helicopter gunships joined the raid on the villages of Libaya and Kfar Mishki, firing dozens of shells and rockets.

The Communist Party and other Syrian-backed groups such as Hizbollah, the Moslem fundamentalist militia, are active in the area.

Israel said a number of "terrorists" were killed or wounded and Communist Party posts destroyed during the action, with no Israeli casualties. Later in the day, Israeli fighter aircraft attacked and

New Romanian government sworn in

Continued from Page 1

capital, where many central buildings are burned out or pock-marked by the thousands of bullets and shells fired by the army against the security forces sniping from windows and rooftops.

But the execution of the Ceausescu and the near elimination of the Securitate, do not appear to have secured the position of the new administration. The Front yesterday appealed on television for people to boycott a big protest called for later in the day. "Conditions are not right for a demonstration," said the appeal, denouncing the demonstration as provocative.

However, the appeal has been shunned by the two new parties that have already been formed in recent days. One group, the Romanian Democratic Party, which was formed on Monday, said demonstrations were the only way to place their programme before the people.

The other, the National Christian Peasant Party, which also announced its formation on Tuesday and which includes the leading dissident Ms Dolina Cornea in its ranks, called for "the moral rehabilitation on Christian and peasant foundation, which for 2,000 years proved to be the Romanian nation's backbone."

Nevertheless, the new Administration is already advertising a political programme for the country, which includes the holding of elections in April next year. The new vice president, Mr Dumitri Mazilu, said yesterday that the government would abandon President Ceausescu's controversial plan to demolish thousands of villages. The former President attracted international condemnation for his plan to rehouse peasants in modern agro-industrial complexes. Hungary in particular saw it as a ploy to force the assimilation of Romania's 2m ethnic Hungarians.

Switzerland's Justice Ministry said on Sunday that it had ordered a freeze on any assets the dead dictator might have held in Swiss banks.

A Geneva newspaper reported on Saturday that there were rumours that the Ceausescu family had stashed \$400m worth of gold in Zurich.

Reader's Digest

There have been so few sizeable new issues on Wall Street over the last few years that the sight of The Reader's Digest Association tapping the market for upwards of \$500m is of more than passing interest.



Sumitomo Trust Interim results to 30th September 1989

	Millions of Yen 6 months ended 30th September 1989	Millions of Yen 6 months ended 30th September 1988	Millions of Yen Year ended 31st March 1989
Income before Income Taxes	¥ 83,878	¥ 79,768	¥ 156,664
Net Income	40,143	37,764	73,584
Total Assets in Banking Accounts	18,002,176	14,075,709	16,593,915
Total Assets in Trust Accounts	30,768,916	26,406,942	27,740,572
Interim Dividend	¥ 4.25 per share	¥ 3.75 per share	¥ 8.00 per share (Annual Total)

Principal Developments for the Period

- Steady and continued growth
- Opening of new Representative Offices in Chicago and Paris
- Listing on The London Stock Exchange
- Mr Hayasaki elected President

Interim Financial Statements for the 6 months ended 30th September, 1989 will be available upon request from December 31st 1989. Please direct enquiries to the address below.

Sumitomo Trust & Banking Co., Ltd.
London Branch
62/63 Threadneedle Street, London EC2R 8BR.
Telephone: 01-628 5621/9 Fax: 01-588 1601

WORLDWIDE WEATHER

City	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Abisko	10	10	10	10	10	10	10	10	10
Algeria	10	10	10	10	10	10	10	10	10
Amsterdam	10	10	10	10	10	10	10	10	10
Antwerp	10	10	10	10	10	10	10	10	10
Athens	10	10	10	10	10	10	10	10	10
Bahia	10	10	10	10	10	10	10	10	10
Bangkok	10	10	10	10	10	10	10	10	10
Batavia	10	10	10	10	10	10	10	10	10
Bombay	10	10	10	10	10	10	10	10	10
Buenos Aires	10	10	10	10	10	10	10	10	10
Calcutta	10	10	10	10	10	10	10	10	10
Canton	10	10	10	10	10	10	10	10	10
Cebu	10	10	10	10	10	10	10	10	10
Colon	10	10	10	10	10	10	10	10	10
Hankow	10	10	10	10	10	10	10	10	10
Hong Kong	10	10	10	10	10	10	10	10	10
Kobe	10	10	10	10	10	10	10	10	10
London	10	10	10	10	10	10	10	10	10
Lyons	10	10	10	10	10	10	10	10	10
Manila	10	10	10	10	10	10	10	10	10
Medan	10	10	10	10	10	10	10	10	10
Osaka	10	10	10	10	10	10	10	10	10
Paris	10	10	10	10	10	10	10	10	10
Perth	10	10	10	10	10	10	10	10	10
Port of Spain	10	10	10	10	10	10	10	10	10
San Francisco	10	10	10	10	10	10	10	10	10
Singapore	10	10	10	10	10	10	10	10	10
Sourabaya	10	10	10	10	10	10	10	10	10
Tientsin	10	10	10	10	10	10	10	10	10
Yokohama	10	10	10	10	10	10	10	10	10

C - Cloudy, Dr - Drizzle, F - Fog, H - High, N - Rain, S - Snow, T - Thunder, W - Windy, B - Breeze, M - Mist, O - Overcast, P - Partly Cloudy, R - Rain, S - Snow, T - Thunder, W - Windy, B - Breeze, M - Mist, O - Overcast, P - Partly Cloudy

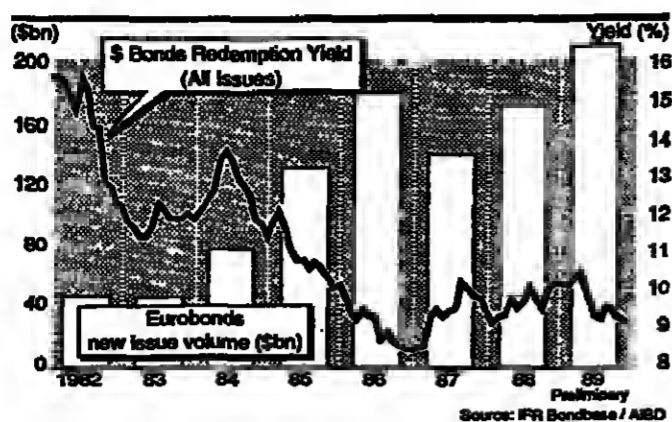
INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

The year of the Japanese equity warrant

IT HAS been the year of the Japanese equity warrant on the Eurobond market. Not only did the instrument dominate the limited profitability of underwriting houses, but at the end of the year its threatened demise raised the spectre of contraction and shake-out on the wider market.

The accelerated intention of the Japanese Ministry of Finance to take greater control over the equity warrant business was a neat and telling assertion of economic reality after months during which Eurobond houses had engaged in tetchy discussions of syndication techniques and business procedures.



mentals were unfavourable.

Much of the profit drawn away from the Japanese warrant sector came from convertible deals, or even straight international equity issues. Behind the scenes, the growth of the private placement business suggested the Eurobond market was still struggling to swerve around the greater regulatory interference implied by a more assertive Association of International Bond Dealers.

The problem of regulation will be an enduring one for the Eurobond market. Late in the year the issue of convertible debt came to the fore as lawyers suggested that what a lead manager says about a new issue could inadvertently constitute a breach of the law.

Discussion was complicated by overlapping jurisdictions. Precedents in the UK domestic

In the short term this has done nothing to improve the transparency of the primary market.

Positively, however, the development of technology and the application of the AIBD's Trax trade matching and reporting system are leading memorably towards more transparency. That will make it ever harder for lead managers to obfuscate as it will be increasingly obvious to all concerned how a new issue is progressing.

Nevertheless, 1989 will be remembered mainly for the syndication debate and the launching of the fixed-price reoffered underwriting method. It will also be remembered for a series of innovative, controversial and revealing deals which spoke volumes about the market.

● In February Credit Suisse

1989 will be remembered for the syndication debate, the fixed-price underwriting method and a series of innovative and controversial deals which spoke volumes about the market

market, however, led to a noticeable increase in Eurobond lead managers' reticence. In particular, many banks became unwilling to comment on the placement of their issues - who had bought the bonds and how much remained to be placed.

Even UK laws are clear about what constitutes an offence. As long as banks tell the truth, they are within the law. Unfortunately, too many players have decided they prefer to say nothing at all rather than risk a misunderstanding.

First Boston carried out a short squeeze on an Ecu100m deal for Toyota Motor Credit Corporation. Traders in the market had sold more bonds than they owned, and CSFB realised that it owned commitments totalling Ecu120m. It squeezed the price as high as 109 to punish the guilty parties.

As a result the International Primary Markets Association, a trade organisation responsible for market practices among new-issue houses, investigated the practice of price stabilisation by lead managers of new issues and changed the rules to stop abuse by unscrupulous banks.

● Also in February, a series of high-coupon Australian-dollar denominated dual-currency issues caused controversy when it was claimed that many retail investors did not understand the risk attached to the borrower's currency option. The highest coupon was 20% per cent on a deal for Banque Générale du Luxembourg.

● In April CSFB took a calculated risk and ruffled feathers when it brought a \$400m 25-year issue for the Republic of Italy. Institutional investors in the sterling market boycotted the deal, saying the pricing was absurdly tight.

CSFB challenged them to ignore what it said would be a benchmark deal, and argued the institutions were upset because their cozy world had been jolted.

Six months later the bonds were trading very comfortably, and the sterling market was looking more competitive than ever.

● J.P. Morgan moved into the spotlight in May when it upset rival banks by withholding information on a deal for ICI, informing the banks moments before it launched a new ICI issue.

Cynics accused it of exploiting a deadline for reform of market practices disallowing the deduction from fees of expenses incurred in supporting the price of a new issue. The debate over syndication methods moved up a gear.

● J.P. Morgan stayed in the limelight in June, bringing possibly the most innovative deal of the year, an exchange issue for the Republic of Finland. A basic \$250m seven-year deal carried a novel offer whereby Finland allowed investors to switch out of some of its replacing several old bonds with a single large and liquid new issue.

There was some controversy - rival banks argued that investors not wanting to exploit the offer would be left with the illiquid rump of the existing deals. Take-up of the issue was smaller than expected, but still enough to make the deal a success. The final issue size was about \$325m.

● Fears about event risk and leveraged buy-outs largely

killed off the market for corporate bonds until late in the year, when a few deals carrying specific investor protection against event risk met good receptions.

● A long-term marker was laid down in September by the World Bank with its successful \$1.5bn global bond issued jointly in the US and international markets. Before it could be launched, however, Morgan Stanley stunned the market by introducing the US-style fixed-price reoffer method of syndication on a \$500m deal for New Zealand. "The talking is over, at last there is action," said one banker.

● Worries about the possible legal implications of keeping quiet about an unsold position in a new issue led Barings Brothers to announce that only 55 per cent of a domestic UK deal for Allied Lyons had been placed. Compliance became a hot topic and underwriting banks suddenly discovered a new source for keeping quiet about deals.

● Italy upped the stakes in October by bringing a \$1.5bn jumbo issue via Morgan Stanley. It tested the fixed-price reoffer technique (but not too severely) and carried significantly lower fees for underwriting banks.

● In November Merrill Lynch brought a \$500m reoffered deal for GMAC that really did test the new method. Two leading supporters of the technique pulled out of the deal at the last minute, ostensibly on price grounds, while the bonds were launched on to a weak underlying market.

The deal survived and performed creditably. But bankers began to remember something they had lost sight of during months of debate - sensible pricing remained the key to success and arguments about syndication were irrelevant if pricing was correct.

● In mid-December Daiwa was accused of trying to climb league tables when it launched a \$400m deal for the Republic of Austria, an accusation it hotly denied. Traders said the issue stood out because, in general, there was little blatant league table business during the year. That was a welcome change and perhaps an indication that banks can no longer afford to buy business as they did in the past.

Andrew Freeman

US MONEY AND CREDIT

Federal Reserve hands out its Christmas present

THE MARKET got its long awaited Christmas gift from Washington last Wednesday when the Federal Reserve Board finally cut ¼ point off the Federal Funds rate. But there was nothing warm in Alan Greenspan's manner as he handed out the paltry goodies to the clamouring traders.

This certainly seems to have been the bond market's attitude to almost everything that has happened since the beginning of this year's absurdly extended US holiday season, which seems to have cast a pall over all market activity on Wall Street not just in the week before Christmas but for the month and a half since Thanksgiving on November 22.

Ever since then, the market consensus on the bullish prospects has become overwhelming as the reports of economic weakness and stabilising inflation have flooded in. Yet next to nothing has happened to bond prices. This has caused some investors to wonder whether the bull market has lost momentum, but far more to conclude that the big rally would simply have to wait until after the holiday season.

There is now serious concern among the bullish market analysts about the number of investors who anticipate a major rally the moment normal trading starts in the New Year. Mr Ed Yardeni or Prudential's Bahe defined the bulls' dilemma admirably just before Christmas: "We're surprised the market hasn't rallied. We think it soon will do so. We expect the government bond yield to fall to 7.5 per cent any day now."

"This is a very consensus

forecast, usually the kiss of death for anyone counting on it. If bonds cannot respond to good news, the risk is that prices could decline sharply if the economy starts to heat up to everyone's surprise. Since we are solidly in the bullish camp, our guess is that the bond market is suffering from 'year-end-itis'."

Without getting entangled any further in the bluffs and counter-bluffs of the contrarian approach to financial logic, it does seem worth reiterating some fundamental reasons for scepticism about the widely-accepted view that bonds yields will soon fall to 7% per cent or even 7 per cent.

The bearish implications of the declining dollar could turn out to be the main market story of early 1990 and were discussed at length last week. The purely domestic objections to the bullish case are equally telling.

First is the possibility that the US economy may actually have reached, or even passed, its low ebb already. The unexpected 5.1 per cent jump in durable goods orders announced on Friday was one indicator pointing in this direction.

The problems of the housing and car industries are well known, but in both cases the recent cutbacks in demand and production have been so severe that a turnaround may be in the offing. Outside these industries, the US economy is still very far from recession.

This leads to the other domestic objection to the bullish consensus. The current level of real interest rates already seems to allow for any

plausible economic slowdown short of a full-scale recession. With the inflation rate remaining extremely steady above the 4% per cent range, bond yields below 7% per cent seem to have little long-term investment appeal.

The bulls have three possible hypotheses. One is that US inflation rate is on the brink of major deceleration. Another is that a classical recession will actually occur in 1990, precipitating very aggressive cuts in short-term rates, as well as a flight to safety into the Treasury bond market from equities and junk bonds.

The third possible reason for bondholders' optimism is that the threat of a recession will force the Fed to ease much more dramatically than it has done so far. This easing will avert an actual recession, but will reduce the competition of high money market rates which has made bond investment relatively unattractive since the yield curve became inverted a year ago.

This last scenario of a further pre-emptive easing by the Fed is the most popular one among bond investors, few of whom actually expect a recession in the next year.

This view seems very plausible on political and historic grounds. The central bank will be under enormous pressure from the White House and Congress to keep the economy growing ahead of the November elections.

For bond investors, however, the idea of a pre-emptive easing begs the all-important question. If the Fed does cut short-term interest rates to avert or delay the next recession, what will this do to the long-term prospects for inflation and bond yields?

If easier monetary policy establishes 4% or even 4 per cent as a floor for inflation in the next stage of the economic cycle, this can hardly be good news for someone committing 30-year money to Treasury bonds on a yield of less than 7% per cent. If the economy does weaken and the Fed does continue to ease, in other words, a major steepening of the yield curve could be in prospect.

Anatole Kaletsky

US MONEY MARKET RATES (%)

	Yearling	12-month	12-month	12-month
	ending	Friday	4 wk	12-week
			ago	ago
Fed Funds	8.37	8.50	8.25	8.00
Three-month Treasury bill	7.57	7.78	7.75	7.57
Six-month Treasury bill	7.56	7.78	7.67	7.57
90-day Commercial Paper	8.38	8.40	8.16	8.18
30-day Commercial Paper	8.35	8.45	8.25	8.08
90-day Commercial Paper	8.20	8.32	8.18	8.14

US BOND PRICES AND YIELDS (%)

	Last	Change	Yield	1 week	4 wk
	Fri.	on Fri.		ago	ago
30-year Treasury	100 1/8	-1/8	7.87	7.80	7.74
20-year Treasury	102 1/2	-1/8	7.79	7.75	7.67

Money supply, in the week ended December 11 MT rose \$3.6bn to \$793.1bn.

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* In terms of total assets - The Banker, July 1989
 † 3,750,124 million Iranian Rials translated at the closing exchange rate of 67.1 to 1 US\$
 - as per the Provisional Financial Statements for the Iranian year 1367 (ended 20 March 1989).

BARCLAYS BANK PLC AND BARCLAYS BANK FINANCE COMPANY (JERSEY) LIMITED HAVE THEIR PRINCIPAL PLACES OF BUSINESS IN LONDON, ENGLAND AND ST. HELIER, JERSEY RESPECTIVELY. THE FULL CAPITAL AND RESERVES OF BARCLAYS BANK PLC EXCEED £200 MILLION. THE FULL CAPITAL AND RESERVES OF BARCLAYS BANK FINANCE COMPANY (JERSEY) LIMITED EXCEED £100 MILLION. LAYERS AND THE USE OF AVAILABLE ON REQUEST DEPOSITS MADE WITH OFFICES OF EITHER BARCLAYS BANK PLC OR BARCLAYS BANK FINANCE COMPANY (JERSEY) LIMITED, IN JERSEY ARE NOT COVERED BY THE DEPOSIT PROTECTION SCHEME UNDER THE BANKING ACT 1981. BARCLAYS BANK PLC AND BARCLAYS BANK FINANCE COMPANY (JERSEY) LTD ARE REGISTERED UNDER THE DEPOSITORS AND INVESTORS (PROTECTION OF FUNDS) (JERSEY) LAW 1982.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

US suppliers to suspend goods to ailing Campeau

By Anatole Kaletsky in New York

NUMEROUS US apparel suppliers and wholesale merchants said at the weekend that they would suspend shipments of goods to the troubled Campeau retail empire after the company's announcement on Friday that Citibank, its lead banker, had threatened to call a technical default on more than \$2.3bn of debt.

Boeing plans to shed 1,200 employees

By Frederick Oram in New York

BOEING plans to lay off about 1,200 workers despite orders for \$55m of its airliners and delivery dates stretching into the mid-1990s.

In celebration of the unconventional trend William Dawkins on the audacious strategy which transformed the Pechiney group

The bubbly, irrepressible Mr Jean Gandois, chairman of Pechiney, the world's top packaging group and third largest aluminium producer, has been celebrating Christmas in what many might consider an eccentric fashion.



Jean Gandois: 'I like to do things that interest me'

While most people were doing their last-minute shopping last Saturday, Mr Gandois was flying from Paris to the 1989 year-end party on the coast near Dunkerque.

Not only is he opening new production in Europe when others are looking for supplies in countries where energy in this highly energy intensive business is cheaper.

hidden state support. In the form of cheap electricity prices from Electricité de France, which will sell a temporary surplus of current from its biggest power station at nearby Gravelines and take a stake in the project.

When aluminium prices fall, clearly the packaging division gains. There is also a strategic fit in that this and other metal packaging demand an increasing amount of high value added alloys, a useful diversification for Pechiney's primary aluminium business.

COMPANY NEWS IN BRIEF

NISSHO IWAI, the big Japanese trading company, has bought zircon and titanium mines in Australia for A\$250m (US\$150m). The mines satisfy some 6 per cent of world zircon demand and 10 per cent of titanium demand, according to the Japanese company, AP-DJ reports.

Spanish bank to trade shares

BANCO SANTANDER, Spain's fourth largest bank, said its shares are likely to start trading in Tokyo at the end of January after the Tokyo Stock Exchange approved the first listing of a Spanish bank in Japan, Reuters reports.

US COMMODITIES PRICES

Table with multiple sections: US MARKETS, Chicago, New York, and various commodity price listings (Gold, Silver, Copper, etc.) with columns for Close, Previous, High/Low.

Advertisement for Institut Mérieux S.A. through a wholly-owned subsidiary, Connaught BioSciences Inc. Includes contact information for Lazard Frères & Co. and Nesbitt Thomson Deacon Inc.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Genetic engineering may sow flourishing seeds

Peter Marsh on a possible boost for seed groups

The fledgling high-tech industry that is the world's seeds business is still in a sickly state. No one knows if it is going to flower vigorously or wither at birth.

The point is underlined by the Royal Dutch/Shell oil and chemicals group's recent decision to consider putting up for sale its Nickerson International Seeds Company, a venture to which Shell had until recently appeared to attach considerable importance.

Shell has asked Teweles & Company, a US consultancy, to examine Nickerson to see if it would flourish better "by an association with a company committed to seeds as its main-stream activity."

The ups and downs of agriculture generally.

What the big chemical groups are interested in, however, are the advances in biotechnology that in recent years have enabled scientists to insert invisible strands of genetic material into the cellular structure of plants. Millions of dollars are being spent on research in this area.

The new biotechnology makes possible the production of seeds on a production line basis that are exactly programmed to grow into plants of specific characteristics. In this way, vegetables and other crops could be made to develop with in-built resistance to attack from insects or diseases or with other properties of value to the farmer.

WORLD'S TOP SEEDS COMPANIES (1989 seed sales, \$m)

Company	Nationality	Sales
Pioneer	US	725
Sandoz	Switzerland	505
Uphof	US	298
Limagrain	France	270
ICI	UK	250
Cargill	US	230
Dekalb	US	170
Takii	Japan	160
Ciba-Geigy	Switzerland	150
Sakata	Japan	140

* Owned by Pioneer. Source: Industry estimates.

As one example of this research, ICI is one of a number of companies working on genetically-programmed tomatoes which become less squishy during the ripening stage, and so give a fuller flavour. Tomatoes such as these could become generally available by about 1993.

Many of the companies which have entered the seeds business are also big players in the \$20bn-a-year agricultural industry. They think that work in seeds could complement their activities in coming up with new plant protection formulations such as herbicides and insecticides.

The trouble with all this reasoning is the uncertainties over transforming the science of genetic engineering into products with financial pay-offs. Studies in this field are not only highly expensive but involve uncommonly long

development times. And there is a great element of risk over making biotechnology that works in the laboratory into a commercial product.

"We are still at the bottom end of the learning curve," admits one executive at ICI, which is among the top five seeds companies with annual revenues around \$250m but which is not expecting the business to turn into profit until the mid to late 1990s.

Mr Alastair Kilgour, an analyst at the London office of BNP, the French bank, says "the jury is still out" as to whether seeds will turn into a good business for the large chemicals companies.

These uncertainties, however, have not stopped the progression in recent years of companies into the seeds business, the top company in which is Pioneer, the US firm which has annual sales approaching \$1bn.

Other leading concerns include Japanese groups such as Takii, Sakata and Ajinomoto, while the French are well represented through an offshoot of Lafarge, the cement group, and the big seeds company Limagrain.

Unilever, the Anglo-Dutch food-processing company, appears keen to build up its small interests in the field while other food groups among the leaders in seeds include the US's Cargill.

The degree to which companies such as these express an interest in buying Nickerson will provide a good pointer as to the state of current optimism in the seeds business.

Nickerson, which is based in Britain and has sales operations throughout Europe, is valued according to estimates at about \$150m. Its activities do not include other parts of Shell's plant-breeding interests such as the company's work in agricultural-related studies at its research laboratory in Sittingbourne in Kent.

Neither do they include Shell's seeds development and sales operations in the US, which are controlled via a separate company run by a joint venture of the oil group's US management together with another group called Maxwell Hybrids.

Interest in Japanese futures 'to grow'

By Deborah Hargreaves

FOREIGN involvement in Japanese stock index futures contracts should grow next year from its current level of 2 per cent, according to a report to be released by James Capel's research unit.

Mr Quentin Price, head of options research at the securities house, believes foreign investors will take a 9 per cent slice of Japan's new stock index contracts to equal their 9 per cent involvement in the equity market.

Volume in Japan's index futures has blossomed since their inception last year and the Nikkei 225 futures is currently trading over 500,000 lots a month with the Topix, Tokyo Stock Exchange's index, trading some 350,000 contracts.

But much of this business is cosmetic since big brokerage firms will cross trades until the market becomes established.

Mr Price reckons that real market activity is only 50 per cent of reported volume. "Every so often, absolutely monumental trades go through and then the market is quiet again," he says.

This activity will decline as more real users come to the market, he believes.

In spite of the symbolic volume, the futures contracts on the Topix and the Nikkei 225 which trades in Osaka, already trade more than Chicago's bellwether Standard & Poor's 500 index futures which has long been the leader in the industry.

However, one of the drawbacks of Japan's futures market is the margining practices which restrict investors from removing interest on variation margin as their positions move upwards - a facility that exists in other futures markets.

This means that to free up margin money, traders close and reopen positions - a practice that also boosts volume.

James Capel expects volume in Japan's stock index futures to grow by 20 per cent in real terms per year, but as cosmetic volumes fall, actual growth will be nearer 10 per cent next year.

Gloom falls on a decade of lending

HOW GENEROUS the international banking community is with its capital. Ten years ago, international banks were in the middle of a bout of capital distribution to developing countries (although their subsequent niggardliness means the consequences of that excessive lending are with us now).

In the middle of the decade, they decided to spread around still more capital by setting up securities subsidiaries in London and elsewhere. In latter years they have also played their part in a redistribution of wealth, with the main beneficiaries being the shareholders of companies subject to over-priced leveraged takeovers and the arrangers of such deals.

In 1989, the leveraged buy-out balloon has fattened and burst. At the turn of the decade, international bankers are confronting the consequences of collective lending mistakes of recent years in their leveraged buy-outs in the US and UK. Many were in gloomy mood before they left for the Christmas break.

Some takeovers were based on over-optimistic business assumptions, which put too heavy a repayment schedule on debt-burdened companies. Others relied on asset sales which, in part because of the demise of the junk bond market, cannot be completed in time at the projected prices.

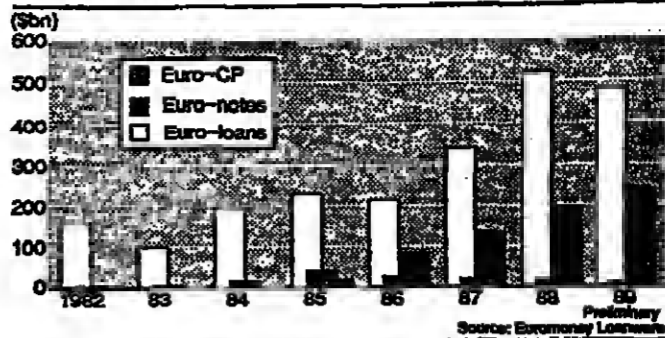
But critics about past mistakes also have consequences for the future. Just as Mexico's problems in 1982 brought about a general retreat from lending to developing countries, so banks are unlikely to be sufficiently discriminating in their attitudes to future leveraged lending. Good deals will all probably be thrown out with the bad.

This emphasises the bad deals on the margin and underestimates the larger number of well-conceived transactions that have yielded benefits for all participants. But banks make, and lose, their profits on the marginal deals.

If one single loan changed perceptions in 1989 it was Citicorp's failed syndication of a \$7.2bn financing for UAL, the US airline. Without going over again the many reasons behind that failure, including increased anxiety among bank regulators, which suggest that Japan about leveraged lending, the unequivocal message was this: providers of debt would demand higher returns in view of the higher perceived risk.

The question for the early 1990s will be whether the higher expectations of debt holders can be reconciled with the demands of equity holders to allow leveraged deals to take place at all.

Eurocredits, notes & commercial paper (Arranged)



The failure of a deal as prominent as UAL's would have been inconceivable even a few years ago. That is despite a development which should make deal failures less, not more, common. The growing business of selling on loan participations by leading banks to other banks would provide pricing signals that were absent in the market a few years ago. The fact that more deals fall than used to is attributed by some to a declining sense of ethics.

Preliminary figures from Eurocommerz magazine show the volume of international loans - this includes term loans, revolving credits, tender facilities and other facilities - to have slipped this year from a record level of 1988. A total of \$400bn in credits was arranged, higher than any year save 1982, when \$419.1bn was arranged. Still, these figures are very approximate as deals emerge from the woodwork in the new year: 1988's original preliminary estimate was subsequently revised upwards by a huge amount.

Eurocommerz's figures suggest that at least \$50bn of the 1989 volume was due to bridging credits, compared with \$17bn the year before. There have been problems in refinancing such bridging loans for US leveraged buy-outs in the absence of a functioning junk bond market.

Looking ahead, the gloom will not pervade all areas of the market. There was indeed little evidence of the usual December slowdown in lending activity, and 1990 should start off very actively.

In one sense, traditional virility may well become more highly regarded: more security will be demanded as banks attempt to secure their loans on conservatively-valued assets.

There are also a few signs that, as banks pursue lending opportunities with higher returns, lending to developing countries may become more important. Such loans will not look like they did in the 1970s,

from the ECP market - the most significant withdrawal from the market since, and including the departure of Salomon Brothers in October 1987.

With 197 ECP programmes and a further 25 revolving underwriting facilities, the due diligence required by the firm to keep its ECP business going must have had an influence on its decision to quit the market. The departure of the market's largest dealer may well add strength to the arms of those dealers trying to increase their message returns from the market. Returns of two to three basis points a year hardly constitute a feast; with current outstandings, all the dealers remaining in the market are earning together between \$1m and \$2m a year. It will also certainly leave a larger share of their cake for the others still interested in it.

As the cumulative figures in the chart show, ECP programmes continued to be arranged for new borrowers in 1989 - something which reflects in part the increased interest from US issuers in the international market. However, outstandings have hardly risen at all since the increase in interest from the US, mainly because lower quality issuers seem to have slipped out from under the market.

Worries over the year about event risk has encouraged demand for the paper of last era free from event risk, and there has been a resultant widening of spreads between vulnerable corporate and non-corporate borrowers. However, if, as discussed above, the prospects of giant corporate takeovers have been lessened in the last six months, event risk fears may subside.

One encouraging development for ECP has been its increased competitiveness with the much larger US market. For years, over most maturities, it has been cheaper for corporate issuers with access to both markets to use the domestic market. That now appears to be changing. This may be due to what some dealers say is an increase in indirect arbitrage, via the Euro-certificate of deposit market.

This makes the US and ECP markets move more in line than in the past. This may in part reflect a re-rating on the part of US investors - allowing them to buy Euro-CDS but not ECP - of US corporate risk, compared with that of well-capitalised European and Japanese banks. Because of this, growing numbers of issuers have put in place global programmes, allowing them to issue opportunistically either in the US or in Europe.

Stephen Fidler

Canada wises up to the poison pill

By Robert Gibbens in Montreal

IN RECENT weeks Canadian Federal Finance Minister Jean Charest, the communications group, have joined a parade of Canadian corporations adopting "poison pills" to protect themselves from creeping takeovers and predators.

Despite some heavy trading in CP and Alcan stock in recent months, which suggest outsiders are accumulating stock, predators are not thought to be seeking control of any of these companies at present, although some look very cheap on the basis of market capitalisation.

The poison pills, or shareholder rights plans, they are called, consist mainly of giving existing shareholders the right to buy new Treasury shares at discounts of 50 per cent from current market value.

The Alcan and CP moves have almost institutionalised such tactics, coming after similar plans adopted by Dominion Textiles and Dofasco, the steel group.

But because Canadian blue chip companies' stocks have been trading at much lower price/earnings multiples than their US counterparts, some US firms may well be eyeing the Canadian scene, especially with the restructuring now under way in Canada following Canada-US free trade.

The poison pills are primarily defensive, to ensure that a bidder offers the same price to all existing shareholders. In the case of an unwanted bid, Alcan could immediately make a one-for-one rights issue at a 50 per cent discount from market. This would be triggered if more than 20 per cent of its stock without board approval, which management can also reduce the threshold to 10 per cent.

But if any party holding 5 per cent of its stock were to make an offer to shareholders at a special meeting, and all shareholders approved, the bid could go ahead without triggering the rights issue.

Most of the companies adopting poison pills have their shares listed internationally or are substantially owned in the US, or are very widely held or suffering from a down cycle in earnings. Alcan, for example, is listed in New York and Tokyo besides Canada.

Some are protected by regulation, such as BCE, the country's largest conglomerate whose core business is the Bell Canada public telecommunications utility.

Nova, a big Western energy, petrochemicals and gas transmission group, is often a subject of takeover rumours. Its stock is selling at rock bottom because of low ethylene prices and a heavy capital programme. But Alberta legisla-

tion prohibits any shareholder from voting more than 15 per cent of a stock.

Most institutions do not accept that the poison pills will not be used primarily to prop up existing managements when a takeover might be in the interest of shareholders at large.

Also public opinion is shifting away from the federal government's "open for business" policy enacted in 1985 with the replacement of the old Foreign Investment Review Agency by Investment Canada.

The C\$940m (US\$617m) sale of Comnaught BioSciences to Institut Mérieux of France met strong opposition in Ontario, the richest and most populous province, on the ground that it was a "sell-out" of the largest Canadian-owned biotechnology company to a company indirectly controlled by a foreign government.

The Caisse de Depot, the Quebec Pension Plan investment firm with assets of C\$55bn, continues to oppose poison pills on principle, saying they are really designed to protect management indefinitely. It has fought several battles on the issue, including opposing Inco's poison pill and special dividend without success.

It may oppose the Alcan and CP plans when they come up at the annual meetings early in the new year. But the Caisse holds around 5 per cent of each company and its views are unlikely to reap much attention.

Five years ago the Caisse amassed 10 per cent of CP and demanded several boardroom seats. CP complained to the Trudeau Government in Ottawa, saying this would amount to "backdoor nationalisation" of a private sector company. The Caisse backed down and reduced its holding.

CP's poison pill is double edged. It plans to spin off 60 per cent of the shares of Marathon Realty, its big property subsidiary, to existing shareholders on a one-for-one basis.

This is popular with institutions. The company believes the parts will be more valuable in shareholder hands than the whole.

Then each CP shareholder would get the right to buy additional shares at a 50 per cent discount if a predator buys 10 per cent or more of the company. Later Marathon itself would adopt its own poison pill.

Under a previous standstill agreement, Power Corporation of Canada, Montreal financier Mr Paul Desmarais's holding company, can hold up to 15 per cent of CP and in some circumstances could buy more. But this agreement runs out shortly.

BP drops US coal sales

By Maurice Samuelson

BRITISH PETROLEUM has cancelled the sale of its remaining US coal assets six months after putting them on the market as part of a worldwide divestment exercise.

BP America sold coal assets and operations in the US would be reorganised into an independent wholly-owned subsidiary.

Earlier this month, it had been in talks with a number of leading US coal producers, including Ziegler Coal, Amax, Consolidation Coal, Massey and Deland.

Of BP's 1.9bn tonnes of coal reserves, about 740m tonnes are in the US, compared with the 440m it held in South Africa and 570m in Australia.

Sales have been agreed for the Australian and South African interests although, contrary to its original intention, BP failed to find a single purchaser for the entire portfolio.

The Australian assets were sold to CRA, the Australian mining company, for A\$275m (US\$137.5m). In South Africa, where BP owns 88.5 per cent of the Middleburg colliery, its partner Rand Mines exercised its right to pre-empt its purchase by Anglo American for R545m (US\$135.9m).

In the US, assets include the Old Ben Coal Company mines in Illinois, Indiana and West Virginia, all 100 per cent BP-owned.

SE Banken signs paper

By Deborah Hargreaves

SKANDINAVISKA Enskilda Banken has signed the Euro-commercial paper programme. The US portion was signed earlier this year.

The programme was arranged by Credit Suisse First Boston and dealers include Goldman Sachs, SE Banken's London branch as well as CSFB. The notes in the programme may be issued in US dollars, sterling or yen.


Westinghouse Credit Corp announced it filed a \$400m continuous offering of medium-term notes with the US Securities and Exchange Commission. The notes, filed as a first stage of the company's

\$2.1bn shelf registration announced in November, will be marketed simultaneously in US and Europe.

The new notes will be sold through Shearson Lehman Hutton, First Boston, Merrill Lynch and Westinghouse Securities in the US with CSFB also selling the notes in Europe.

AMP (UK) signed the syndication of a \$250m term loan facility in connection with its offer to acquire Pearl Group, the insurance company. The loan, which was arranged by Lloyds Bank Capital Markets group and Chase Investment Bank, is a three-year facility carrying a margin of 25 basis points over Libor.

This announcement appears as a matter of record only



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Amsterdam-Rotterdam Bank N.V.

November, 1989

UK COMPANY NEWS

Malaysians agree to take 32.5% stake in Unigroup

By Jane Fuller

ANTAH Overseas Holdings, part of a Malaysian investment group, is taking a 32.5 per cent stake in Unigroup, a UK timber, building products and clothing company.

The deal, designed to raise about £3.6m, involves the issue of more than 9m shares in Unigroup at 39p each.

Antah will have voting rights over only 23.7 per cent, so there is no requirement for a full takeover offer to be made.

It is also proposed that a further 1.9m new shares, plus £700,000 cash be given to Mr Peter Yeoh, a Unigroup director, in lieu of earn-outs due for the current year and 1990-91.

As the conversion of Mr Yeoh's 2.6m preference shares into ordinary shares is being brought forward, his total hold-

ing is set to rise to 26.3 per cent.

The payments to Mr Yeoh relate to the £6.7m acquisition of his Malaysian business in June 1987. Mr Yeoh has received £2.14m in preference shares and the new agreement will clear up deferred payments.

Mr James Malthouse, Unigroup's chairman, said there was no link between Antah and Mr Yeoh.

A strong performance from the Malaysian timber operation, including the manufacture of doors for distribution in the UK and elsewhere, helped Unigroup to continue its recovery in the 12 months to June 30, when pre-tax profit rose to £1.2m. About £1.2m was lost in 1988-89.

Interest payments amounted to £320,000 last year and part of

the £3.6m raised from Antah will be used to reduce borrowings.

Mr Malthouse said it would also eliminate the £320,000 preference dividend arrears and pave the way for payment of dividends to ordinary shareholders.

He welcomed the cash injection from Antah, which is listed on the Kuala Lumpur stock exchange and made a pre-tax profit of £17.2m on sales of £202m in the 12 months to March 31. Tunku Imran, Antah's chief executive, said this was the group's first big step into Europe.

Tunku Imran will become non-executive chairman of Unigroup and Antah is appointing two other directors to the Unigroup board. Mr Malthouse and another director will be standing down.

55% rise puts Dwyer profits over £3.2m

DWYER, the property investment and dealing company, reported a 55 per cent increase from £2.1m to £3.24m in pre-tax profits in the year to September 30.

Mr Desmond Bloom, chairman, told shareholders that net assets had increased from £31m to £48.4m, equal to 279p per share, a 15 per cent increase on the 244p of a year earlier.

Mr Bloom said that while he remained committed to the stated aim of developing a substantial property group, the criteria for going forward remained the enhancement of assets and earnings per share.

He said that the company was very well secured with a low level of borrowings, and a rent roll that would exceed the finance and overhead costs even with the current high level of interest rates.

Dealing profits rose from £1.49m to £3.57m and net rents from £2.35m to £4.52m and gross profit emerged at £8.09m (£3.85m). Administrative expenses almost doubled at £1.05m and £2.07m and net interest payable surged from £1.2m to £3.8m. Turnover expanded from £13.98m to £28.57m.

After tax of £1.35m (£707,000) fully diluted earnings were just marginally higher at £1.31m (£690,000), reflecting the £12.7m preference rights issue in May.

A 33 per cent increase in the total dividend to 4p (3p) is proposed via a final of 2.5p.

Director resigns from Electra Investment

By Clare Pearson

MR ROBERT DRUMMOND has resigned as a director of Electra Investment Trust just 10 months after joining the company, a specialist in unquoted investments which is in the throes of a reconstruction.

Electra said Mr Drummond's departure was "due to a disagreement on matters of company policy."

Mr David Osborne, an Electra director, declined to elaborate on the announcement, which started following the company in the City.

Mr Drummond was recruited early this year from County NatWest where he was a director and managing director of County NatWest Ventures. He was appointed vice chairman of Electra's management company with responsibility for defining and carry-

ing out new unlisted investments.

Mr Osborne said Mr Drummond's departure was unconnected with the restructuring currently underway at Electra, involving the creation of a new fund providing finance for European management buy-outs and other unquoted ventures, and plans to float Electra's management company on the stock market.

As a director, Mr Drummond took an equity stake in the new management company, Electra Kingsway Partners.

Mr Osborne said the reconstruction was proceeding "precisely as planned." Nearly £500m had now been raised towards the new fund, Electra Private Equity Partners, and plans to float £250m announced in August.

WORLD INDUSTRIAL REVIEW

The Financial Times proposes to publish this survey on:

Monday, 8th January, 1990

Industrial Sectors

Separate articles will be written examining prospects in the year ahead in the following industrial sectors:

- Computers, electronics and telecommunications
- Chemicals and pharmaceuticals
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Salvesen pulls out of shipping in £7.5m deal

CHRISTIAN Salvesen, the transport and food distribution group, is withdrawing from shipping after being involved in it for more than 100 years.

It is disposing of those interests for £7.5m to Johnson Group, the Norwegian-based shipping group.

Mr Chris Masters, chief executive of the Edinburgh-based company, said that it was vital that the company concentrated on activities where it had a competitive edge which could be aggressively developed.

The interests include three general cargo vessels of which one is on charter to the CEBG. It also manages three colliers on behalf of the CEBG.

Royal Bank sells 76% of travel agency for £15m

By David Lascelles, Banking Editor

THE ROYAL Bank of Scotland Group has agreed to sell 76 per cent of AT Mays, its travel agency subsidiary, to Carlson, one of the largest travel companies in the US.

The Royal bought AT Mays only two years ago. But Mr Charles Winter, the group chief executive, said that regulatory complexities had made it hard to cross-sell financial services, for example life insurance, through the Mays branch network.

The trend in the travel business was also towards greater concentration into a smaller number of large companies.

However, by retaining an

equity interest in Mays, he said the Royal group would still be able to channel travel-related services through its branches.

The deal values the stake being acquired at £15m, compared with a total acquisition price of £18.8m. The Royal will also receive a £2.3m dividend from Mays and retain non-travel assets worth £1.1m.

The Royal will retain its remaining interest for at least five years.

Carlson, one of the largest privately-owned companies in the US, said the acquisition would allow it to develop its business in the fast-growing UK market.

Quilgotti confident after 12% increase in first half

THE OUTLOOK for the current year at Quilgotti, maker of terrazzo floor tiles, looked promising said Mr John Riordan, chairman, in his statement accompanying the interim results.

Current trading was satisfactory, he said, and the board's confidence was demonstrated by an increase in the interim dividend from 0.65p to 0.75p.

In the six months ended September 30 1989 the group increased turnover 19 per cent, from £9.96m to £10.62m, and pre-tax profit 12 per cent, from £1.05m to £1.2m.

Mr Riordan said since the group's launch on the DSM last March it had further developed its position as the market leader in terrazzo in the UK.

Ancillary activities in industrial flooring and natural stone products also performed well. The fire surround business had suffered in line with the downturn in the domestic building market.

Earnings in the period worked through at 2.72p (2.71p). The dividend is payable on February 2.

The chairman revealed that the group was reviewing a number of acquisition opportunities, but stressed the approach "was cautious in view of the slowdown in a number of construction related sectors in the UK."

Initial expectations of the marketing venture set up in Ireland were being fulfilled and the outlook was encouraging.

Noble Raredon affected by start-up costs

Noble Raredon, formerly known as Gnome Photographic and now controlled by Mrs Bilge Nevzat, sister of Mr Asif Nazki, returned profits of £45,000 pre-tax for the 17 months to October 31.

That compared with £487,275 for the year to May 31 1988. Mrs Nevzat said the fall reflected the start-up costs associated with establishing new businesses.

Turnover for the 17 months totalled £11.28m (£2.55m for period). Earnings emerged at 0.22p (2.1p). In view of the reduced profits a nominal dividend of 0.1p (1.3p) is recommended. Current trading was described as satisfactory.

Current trading was satisfactory, he said, and the board's confidence was demonstrated by an increase in the interim dividend from 0.65p to 0.75p.

In the six months ended September 30 1989 the group increased turnover 19 per cent, from £9.96m to £10.62m, and pre-tax profit 12 per cent, from £1.05m to £1.2m.

Mr Riordan said since the group's launch on the DSM last March it had further developed its position as the market leader in terrazzo in the UK.

Local London will hold back Priest Marians

The acquisition of Local London Group by Priest Marians, has "not proved a success and will result in a substantial loss", the property company's chairman, Mr David Auerbach, told shareholders at the annual general meeting.

He added that a string of property sales, designed to reduce gearing, had not progressed as anticipated last autumn and that "there has been an adverse effect on the cash flow of the group."

However, he suggested that the Langham Estate's value should show a significant increase over the last year, when Priest Marians accounts are published early in 1990.

Priest Marians shares fell 9p to 340p ahead of the Christmas break.

Six months sees Braithwaite with 44% rise

Braithwaite, the restructured industrial services group, returned profits of £2.62m pre-tax for the six months ended September 30, an improvement of 44 per cent over last time's £1.82m.

The figure was struck after taking account of a £1.04m rise in interest charges to £1.69m. Turnover pushed ahead from £24.5m to £23.22m and earnings emerged at 2.7p (2.6p).

The interim dividend is being lifted from 1p to 1.4p, partly to reduce disparity with the final.

Although the second half started slowly business was now reaching more acceptable levels.

Vista expands

For a consideration of £2.25m, Vista Entertainment is buying Victoria's, the nightclub and disco complex in Glasgow which was an auction room until last August.

The consideration will be met by £1.5m cash and the issue of 4.66m Vista shares, and the deal is subject to shareholders' approval.

COMPANY NEWS IN BRIEF

The following changes in company share stakes have been announced recently:

AB Electronic Products Group: Scottish Amicable Investment Managers has acquired 140,900 ordinary, lifting its holding to 2.12m (8.36 per cent).

Airflow Streamlines: JFA Smith and BW Sutherland have acquired 5,000 ordinary at £2.22, raising the holding to 945,520 (11.07 per cent).

Alkerm Home Interiors: PJ Bachmann has acquired 200,000 ordinary at 53p per share, increasing the stake to 4.74m (9.23 per cent). The shares are registered in the name of Russell.

Alba: Mrs Jacqueline Harris is now interested in 80,000 ordinary. Mr John Harris, chairman, is interested in these shares following his marriage, lifting his beneficial interest to 8.58m (23.2 per cent).

Amev Morgan Grenfell Group and its subsidiaries have a notifiable interest in 3.85m ordinary (5.55 per cent). The shares are held on behalf of clients whose portfolios are managed on a discretionary basis.

Anglo-Eastern Plantations: Govett Oriental has acquired 200,000 ordinary, increasing the holding to 1.2m (5.45 per cent). The shares are registered in the name of Midland Bank (Princes Street) Nominees.

Apricot Computers: Singer & Friedlander Group, its subsidiaries and their portfolio customers are interested in 15.12m ordinary (16.36 per cent).

Audit & General: Swan Management Services, in which Mr Harvey Selby, A&G chairman and chief executive, has a beneficial interest, has bought 83,000 ordinary at 34½p and 8,400 at 34p.

Avoco: Following the acquisition of 30,000 ordinary from Mr John Hinchliffe, a director, Mr Richard Murray, chairman, now has a beneficial interest in 7.91m and Mr Hinchliffe has an interest in 368,700.

Baxley: Beckham Group and its subsidiaries have bought 25,000 ordinary and now has 525,000 (2.3 per cent).

Berlifford International: LJ Goodman has acquired 9.68m ordinary, lifting the holding to 57.69m (11.8 per cent).

Bestwood: JH Furlong, a director, has acquired 72,500 ordinary, increasing the holding to 2.98m (8.21 per cent).

Bexbuild Developments: Mr Tom Tutton, a director, has bought 2,500 shares at 103p per share.

BMSSE: Royal Life Investment Division is the beneficial holder of 388,000 ordinary (8.26 per cent). The shares are allocated to the Royal Insurance 'B' account.

British & Commonwealth Holdings: Scottish Amicable Investment Managers now holds 20.24m ordinary stock units (5.61 per cent).

British Mohair Holdings: Lawrie Group has acquired 110,000 ordinary, raising its holding to 3.72m (28.02 per cent).

Business Technology: Concorde Corporation (formerly Berytux Investment Company) has acquired 118,500 shares. It now has a total 3.44m (23.11 per cent).

FT SHARE SERVICE

The following securities have been added to the Share Information Service:

FTB Warrants 1989/94 (Section: Industrials).

British Aerospace 7.75p (Net) Cum. Conv. Red. Pref. (Industrials).

British Airways Cap. 94p (Cov. Cap. Bond. (Transport)).

Europa Minerals Warrants (Minerals-Miscellaneous).

LWT (Holdings) 3.9375p (Cov. Cum. Pfd. (Leisure)).

Malaysian Emerging Cos. Fund (US\$0.01 shs & Warrants) (Trusts, Finance, Land).

Mediterranean Fund (Investment Trusts).

Pan Pacific Petroleum (Oil & Gas).

Pendragon (Motors).

Regal Hotel Group (Hotels).

Stewart & Wight (Property).

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued share capital of the Company in the United Kingdom. It is emphasized that no application has been made for the Company's shares to be admitted to listing. Conditions for such permission being granted 20,000,000 Ordinary Shares of 10p each of the Company have been placed by Bessent Gregory Limited and Matheson Securities Limited.

The Global Group plc

(Incorporated and Registered in England No. 1306992)

This advertisement is issued in connection with a Placing

20,000,000 Ordinary Shares of 10p each at 30p per share

Sponsored by GUINNESS MAHON & CO. LIMITED

Placed by BESSON GREGORY LIMITED

Share capital issued and now being issued, fully paid £1,576,276

in Ordinary Shares of 10p each

The principal activities of The Global Group plc are freezing, packaging and cold storage of produce, warehousing, distribution services, warehousing and related services, the import, export and wholesale of meat and meat products, and the manufacture, processing and marketing of meat and other specialist food products.

Particulars relating to the Company are available in the Brief Unlisted Securities Market Service and copies of such particulars may be obtained during normal business hours on any weekday (Bank Holidays and Saturdays excepted) up to and including 11 January, 1990 from the Company's registered office, Cranbrook House, Redlands, Colindale, Surrey and from:

Besson Gregory Limited, Guinness Mahon & Co. Limited, Matheson Securities Limited

The Registry, Royal Mint Court, 15 St. Mary's Place, London EC2A 4AJ

and on 27th and 28th December, 1989 from The Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD.

JUSCO CO. LTD.

NOTICE OF FREE SHARE DISTRIBUTION

At the meeting of the Board of Directors of the Company held on December 11, 1989, it was resolved that a free distribution of shares be made as follows:

Effective April 6, 1990, new shares shall be issued with regard to a part of the amount capitalised in excess of the total par value of issued shares pursuant to Article 283-3 of the Japanese Commercial Code, the amount of such new shares being a sum determined by multiplying the number of new shares to be issued as stated in Paragraph 1 below by 950:

1. The number of the new shares to be issued:

Shares of the registered form, par value common stock in such number as shall be determined by multiplying the total number of issued shares as at 3.00 p.m. February 20, 1990, Japan time, by 0.05; Provided, however, that fractional shares of less than one share arising from the calculation shall be discarded.

2. Issue price:

¥50 per share; Provided, however, that no subscription money shall be collected.

3. Method of allotment:

The new shares shall be allotted to the shareholders appearing in the register of shareholders as at 3.00 p.m. February 20, 1990, Japan time, at the rate of 0.05 share for each share held by them; Provided, however, that fractional shares of less than one share arising from the allotment shall be sold as a whole and the proceeds shall be distributed to the holders of such fractional shares in proportion to their fractional interests.

4. Date from which dividend is calculated:

February 21, 1990.

5. All other matters necessary for the issuance of the new shares shall be determined at a meeting of the Board of Directors to be held hereafter.

Hill Samuel Bank Ltd., 45 Beech Street, London EC2P 2LX.

Advertise your house
in full colour in the Weekend FT.
To find out more, call Lesley Proctor
on 01-873 4896

CVAS 2 LIMITED
US\$1,000,000
Secured Floating Rate Notes due 1992
Interest Rate 8.62% p.a. Interest Period
December 27, 1989 to June 23, 1990.
Interest Payable per US\$100,000 Note
US\$4,210.00.
Maturity 27, 1990, London
By Citicorp, N.A., (CIB) Dept. 1, Agent Bank

Eni International Bank Limited
U.S. \$200,000,000
Guaranteed Floating Rate Notes due 1993
Unconditionally and irrevocably guaranteed by
Ente Nazionale Idrocarburi
In accordance with the terms and conditions of the Notes, the rate of interest for the interest period December 27, 1989 to March 27, 1990 has been fixed at 8¼% per annum. Interest payable on March 27, 1990 will be US\$212.50 per Note of US\$100,000.
Agent
Morgan Guaranty Trust Company of New York
London Branch

VITAMIN LTD.
Series B
US \$80,000,000
Secured Floating Rate
Notes 1989
In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period 22nd December, 1989 to 21st June, 1990 has been fixed at 8.55% per cent. per annum.
The amount of interest payable on the relevant interest payment date, 21st June, 1990 will be US\$ 34,306.66 per US\$100,000 principal amount of Notes.
Nippon Credit International Limited
London
Agent Bank

Marine Midland Bank N.A.
U.S. \$125,000,000
Floating Rate Subordinated Capital Notes due 1996
For the three months 21st December, 1989 to 21st March, 1990 the Notes will carry an interest rate of 3¼% per annum with a coupon amount of U.S. \$217.19 per U.S. \$100,000 Note and U.S. \$1,085.94 per U.S. \$50,000 Note. The relevant interest payment date will be 21st March, 1990.
Listed on the London Stock Exchange
Bancroft Trust Company, London. Agent Bank

ANSETT AIRCRAFT FINANCE LTD
UP TO US\$ 185,000.000
F.R.N. due 2001
Notice is hereby given that the rate of interest for the period from 27th December, 1989 to March 20th, 1990 has been fixed at 8.675 per cent per annum. The coupon amount due for this period is US\$ 214.47 per US\$ 100,000 denomination and US\$ 1,072.33 per US\$ 500,000 denomination and is payable on the interest payment date March 20th, 1990.
The Fiscal Agent is Societe Generale de Paris (Luxembourg) S.A.

VESTLANDSBANKEN
US\$5,000,000
Subordinated Floating Rate Notes
Due 1992
For the six months, 19th December 1989 to 19th June 1990 the interest rate has been fixed at 9.025% per annum. Interest payable on 19th June 1990 will be \$21,802.08 per note of US\$500,000 denomination.
Christiana Bank
London Branch
Agent Bank

GRANVILLE SPONSORED SECURITIES

Capitalisation	Company	Price	Change on week	Yield %	P/E
6000's	Asst. Brit. Ind. Ord.	337	0	10.3	3.1
425	Amalgamated and Allied	25	0	6.7	6.4
115223	Bardon Group (SE)	168d	+9	4.3	2.6
18250	Bardon Group Co. Pref. (SE)	104	+1	5.9	7.8
4997	Bryl Technologies	76	+1	5.9	6.7
68	Brenhill Gen. Pref.	68	0	11.0	11.2
	Brenhill B.A. New C.C.P.	99	0	11.0	11.1
1178	CEI Group Ordinary	318d	+1	14.7	4.7
2243	CEI Group 11% Conv. Pref.	175	0	14.7	8.5
16740	Carlo Pk (SE)	210d	0	7.6	3.8
770	Carlo 7.5% Pref (SE)	110	0	10.3	9.4
2133	Matheson N.V. (AmSD)	280	+6	-	-
9558	Isle Group	120	0	8.0	6.7
23189	Jackson Group (SE)	108	+3	18.7	3.3
17740	Torley & Carlisle	299	0	9.5	10.4
9248	Torley & Carlisle Conv. Pref.	104	0	10.7	10.3
3442	Trevian Holdings (USM)	82d	0	2.7	3.4
	Universal Europe Conv. Pref.	340	0	9.5	5.8
8588	Western Drug Co. P.L.C.	252	0	22.0	6.2
6432	W. S. Yates	305	-7	14.2	5.3

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of TSA. These securities are dealt in strictly on a matched buy/sell basis. Besson Gregory & Co. Limited are Granville Davies Limited market makers in these securities. * These securities are dealt on a restricted basis. Further details available.

Granville & Co. Limited
77 Mansell Street, London E1 6AF
Telephone 01-488 1212
Member of TSA

Granville Davies Limited
77 Mansell Street, London E1 6AF
Telephone 01-488 1212
Member of the ISE & TSA

FINANCIAL TIMES STOCK INDICES

	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 15	High	Low	Since Compilation
									High
Government Secs.	84.49	84.49	84.45	84.16	84.04	83.99	89.29	82.93	127.4
Fixed Interest	92.67	92.67	92.41	92.33	92.28	92.25	99.59	92.02	105.4
Ordinary	1868.2	1858.8	1866.0	1852.5	1864.5	1851.7	2008.6	1447.8	2008.6
Gold Mines	312.9	315.0	313.1	311.3	315.2	308.4	317.8	154.7	734.7
FT-100 All Share	1177.11	1173.40	1176.10	1168.60	1169.73	1225.80	921.22	1238.57	81.92
FT-SE 100	2362.0	2353.0	2360.7	2342.1	2358.5	2344.7	2426.0	1782.8	2493.4

FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 39p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abbey Unit Trust, Abbey Unit Trust, etc. with columns for name, type, and price.

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Table listing various unit trusts such as Abbey Unit Trust, Abbey Unit Trust, Abbey Unit Trust, etc. with columns for name, type, and price.

GUIDE TO UNIT TRUST PRICING. Includes sections for INITIAL CHARGES, PRICES, and other relevant information for investors.

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FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Main table containing unit trust information with columns for Name, Type, and Price. Includes sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0884 + five digit code (listed below). Calls charged at 89p per minute peak and 25p off peak, inc VAT

Main table containing unit trust information, organized into columns for various categories like 'Premier Life Assurance Co Ltd', 'Scottish Equitable Life Assn', 'Target Life Assurance Co Ltd', etc. Each entry includes fund names, prices, and other details.

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

ISOM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

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FT UNIT TRUST INFORMATION SERVICE

Table containing FT Unit Trust Information Service data, including various fund names, prices, and performance metrics. It is organized into several columns and includes sub-sections like 'ISLE OF MAN', 'LUXEMBOURG', and 'OTHER OFFSHORE FUNDS'.

LONDON SHARE SERVICE

Table containing London Share Service data, including British Funds, British Funds - Contd, Loans, Foreign Bonds & Rails, and American Funds. It includes detailed information on various investment vehicles and their market performance.

Money Market Trust Funds

Table listing Money Market Trust Funds with columns for fund name, price, and other details.

Money Market Bank Accounts

Table listing Money Market Bank Accounts with columns for bank name, account type, and interest rate.

LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0636 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AMERICANS - Contd

Table listing American stocks including IBM, Microsoft, and various financial institutions with columns for stock name, price, and date.

CANADIANS

Table listing Canadian stocks including Royal Bank, Canadian Pacific, and various resource companies.

BANKS, HP & LEASING

Table listing banks and leasing companies such as Citicorp, Citicredit, and various financial services firms.

BEERS, WINES & SPIRITS

Table listing beverage companies including Heineken, Carlsberg, and various wine producers.

BUILDING, TIMBER, ROADS

Table listing construction and infrastructure companies such as Bovis Lend Lease and various engineering firms.

BUILDING, TIMBER, ROADS - Contd

Continuation of Building, Timber, and Roads sector stocks.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies including ICI, Shell Chemicals, and various specialty manufacturers.

DRAPERY AND STORES

Table listing retail and drapery companies such as Debenhams, Next, and various clothing retailers.

BEERS, WINES & SPIRITS - Contd

Continuation of beverage sector stocks.

BUILDING, TIMBER, ROADS - Contd

Continuation of construction and infrastructure sector stocks.

DRAPERY AND STORES - Contd

Continuation of retail and drapery sector stocks.

ELECTRICALS

Table listing electrical and electronics companies including Philips, GEC, and various technology firms.

DRAPERY AND STORES - Contd

Continuation of retail and drapery sector stocks.

BEERS, WINES & SPIRITS - Contd

Continuation of beverage sector stocks.

BUILDING, TIMBER, ROADS - Contd

Continuation of construction and infrastructure sector stocks.

ENGINEERING - Contd

Continuation of engineering sector stocks including BAE Systems, GEC, and various industrial firms.

ELECTRICALS - Contd

Continuation of electrical and electronics sector stocks.

DRAPERY AND STORES - Contd

Continuation of retail and drapery sector stocks.

BEERS, WINES & SPIRITS - Contd

Continuation of beverage sector stocks.

BUILDING, TIMBER, ROADS - Contd

Continuation of construction and infrastructure sector stocks.

INDUSTRIALS (Misc.) - Contd

Continuation of miscellaneous industrial sector stocks.

ENGINEERING - Contd

Continuation of engineering sector stocks.

DRAPERY AND STORES - Contd

Continuation of retail and drapery sector stocks.

BEERS, WINES & SPIRITS - Contd

Continuation of beverage sector stocks.

BUILDING, TIMBER, ROADS - Contd

Continuation of construction and infrastructure sector stocks.

INDUSTRIALS (Misc.) - Contd

Continuation of miscellaneous industrial sector stocks.

ENGINEERING - Contd

Continuation of engineering sector stocks.

DRAPERY AND STORES - Contd

Continuation of retail and drapery sector stocks.

BEERS, WINES & SPIRITS - Contd

Continuation of beverage sector stocks.

BUILDING, TIMBER, ROADS - Contd

Continuation of construction and infrastructure sector stocks.

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LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 30p per minute peak and 25p off peak, inc VAT

LEISURE

Table of Leisure stocks including Leisure Group, Leisure Leisure, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of Paper, Printing, Advertising stocks including Newsprint, Printing, Advertising, etc.

TRANSPORT

Table of Transport stocks including British Airways, British Airways, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, Land stocks including Investment Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of Oil and Gas stocks including British Petroleum, Shell, etc.

MINES - Contd

Table of Mines stocks including Anglo American, De Beers, etc.

MOTORS, AIRCRAFT TRADES

Table of Motors, Aircraft Trades stocks including British Aerospace, etc.

PROPERTY

Table of Property stocks including British Land, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land stocks including Investment Trusts, Finance, Land, etc.

OVERSEAS TRADERS

Table of Overseas Traders stocks including Anglo Siam, etc.

PLANTATIONS

Table of Plantations stocks including Guthrie & Co, etc.

THIRD MARKET

Table of Third Market stocks including various international equities.

NEWSPAPERS, PUBLISHERS

Table of Newspapers, Publishers stocks including News International, etc.

SHOES AND LEATHER

Table of Shoes and Leather stocks including Debenhams, etc.

SOUTH AFRICANS

Table of South African stocks including Anglo American, etc.

WATER

Table of Water stocks including British Water, etc.

DIAMOND AND PLATINUM

Table of Diamond and Platinum stocks including De Beers, etc.

FINANCE

Table of Finance stocks including various financial institutions.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, Advertising stocks including Newsprint, Printing, Advertising, etc.

TEXTILES

Table of Textiles stocks including various textile companies.

TOBACCO

Table of Tobacco stocks including British American Tobacco, etc.

OIL AND GAS

Table of Oil and Gas stocks including British Petroleum, Shell, etc.

REGIONAL & IRISH STOCKS

Table of Regional & Irish Stocks including various regional equities.

TRADITIONAL OPTIONS

Table of Traditional Options including various options contracts.

NOTES: Stock Exchange dealing instructions are indicated to the right of the share price. Unless otherwise indicated, prices and dividends are in pence...

REGIONAL & IRISH STOCKS: The following is a selection of Regional and Irish stocks. The latter being quoted in Irish currency.

TRADITIONAL OPTIONS: 3-month call rates

PROPERTY: Various property-related options and shares.

OILS: Various oil-related options and shares.

MINES: Various mine-related options and shares.

FINANCE: Various financial options and shares.

CURRENCIES, MONEY AND CAPITAL MARKETS

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns for currency, date, and rates. Includes US, Canada, Australia, etc.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns for currency, date, and rates. Includes UK, France, Germany, etc.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Large table showing FT-Actuaries World Indices for various countries and regions, including Australia, Canada, France, Germany, etc.

MONEY MARKETS

D-Mark likely to rise against dollar

TRADING INEVITABLY wound down last week ahead of the Christmas holiday, but the immediate prospects suggested a strengthening of the D-Mark against the dollar.

D-Mark, while the potential for Germany from moves to upgrade industrial efficiency in the east is another plus factor.

UK clearing bank best leading rate

15 per cent from October 5

West German interest rates are underpinned by the inflationary implications of events in eastern Europe and speculation about a possible reunification of Germany.

The Bundesbank is also known to be concerned about the inflationary implications of higher West German wage demands and is unlikely to allow interest rates to fall.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies like £, \$, DM, etc.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for different terms and currencies.

£ IN NEW YORK

Table showing £ in New York rates for different terms.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies.

STERLING INDEX

Table showing Sterling Index values for different periods.

OTHER CURRENCIES

Table showing other currencies like Argentine, Australian, etc.

CURRENCY RATES

Table showing currency rates for various countries.

FOUR-DIGIT EXCHANGES

Table showing four-digit exchanges for different currencies.

FT LONDON INTERBANK FIXING

Table showing FT London Interbank Fixing rates.

MONEY RATES

Table showing money rates for New York and London.

LONDON MONEY RATES

Table showing London money rates for different terms.

EUROPEAN OPTIONS EXCHANGE

Table showing European Options Exchange data.

BASE LENDING RATES

Table showing base lending rates for various banks.

PERSONAL PENSIONS

The Financial Times proposes to publish this survey on:

20TH JANUARY 1990

For a full editorial synopsis and advertisement details, please contact:

RICHARD BECCLE on 01-873 4181

or write to him at:

Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES LONDON'S BUSINESS NEWSPAPER

BANK OF ENGLAND TREASURY BILL TENDER

Table showing Bank of England Treasury Bill Tender details.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table showing weekly change in world interest rates for various regions.

CHICAGO

Table showing Chicago market data.

U.S. TREASURY BILLS (90)

Table showing U.S. Treasury Bills (90) data.

U.S. TREASURY BILLS (90)

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U.S. TREASURY BILLS (90)

Table showing U.S. Treasury Bills (90) data.

LONDON RECENT ISSUES

Table showing London recent issues.

EQUITIES

Table showing equities data for various stocks.

FIXED INTEREST STOCKS

Table showing fixed interest stocks data.

RIGHTS OFFERS

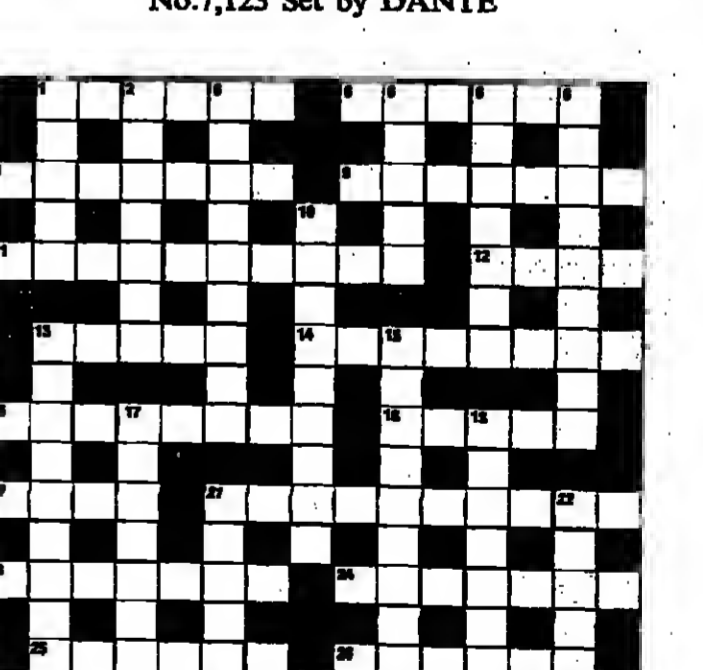
Table showing rights offers data.

JOTTER PAD

Table showing Jotter Pad content.

CROSSWORD

No.7,123 Set by DANTE



- ACROSS: 1 Congenial address for a ship's captain (8,3) 2 French (6) 3 Faults and defaults (7) 4 Gyrated helplessly into disaster (7) 5 Load of energy (4,2,4) 6 The record of a pig in agreeable surroundings (4) 7 Garment unusual in cut (5) 8 Under no obligation to observe the customs? (4,4) 9 Restraining United Kingdom party's prestige (5) 10 Slide in flexible disk (4) 11 They have suffered from off-hand relationships (10) 12 Hero-worshiper seen on the Thames (7) 13 They aim to get her into the bright lights - of radio? (7) 14 Rem out on the sand (5) 15 Work in the music business (5) 16 One's kid supplies supplies (7) 17 Craftsman is one among the craftier sort (5) 18 April in Paris (5) 19 Agree an underwriter might draw up a contract (4,3) 20 Risk of heat in terminals (5) 21 A charity worth fighting for (4,5) 22 What an unwise drinker may get, the foal (5) 23 Agree to a wage cut and drown one's success (4,2,4) 24 News of current interest (7) 25 Many felt irritated and abandoned (7) 26 Free from blame, that's evident (5) 27 Never new gains (5)

Franklin Savings Association advertisement for U.S. \$250,000,000 Collateralized Floating Rate Notes due 1991.

Franklin's name: Call 800 368 3688. Photos day's value: Call 800 368 3688.

2 Annual dividend: 10% based on previous year's dividend rate paid or payable as part of capital.

The solution to the Christmas Crossword will be published with names of winners on Saturday January 6.

هذه اصداتك

WORLD STOCK MARKETS

Table of stock market data for various countries including Australia, France, Germany, Italy, Sweden, and Japan. Columns include country, date, and various stock indices.

CANADA

Table of Canadian stock market data, including Toronto and Montreal closing prices for various stocks.

INDICES

Table of financial indices including Dow Jones, Standard and Poor's, and various regional indices.

Table of Japanese stock market data, listing various companies and their stock prices.

Table of New York Active Stocks and Trading Activity, including volume and price changes.

TOKYO - Most Active Stocks

Table of most active stocks in Tokyo, showing stock names, prices, and volume.

Advertisement for FT hand delivered in Turkey, featuring an image of a watch and promotional text.

4pm prices December 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers like 'High', 'Low', 'Stock', 'Div.', 'Yld.', 'P/E', 'High', 'Low', 'Close', 'Chg/Pct'. It lists numerous individual stocks and their corresponding market data.

Continued on Page 27

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Handwritten note: "Handwritten note in the top center of the page, possibly a date or reference number." (Note: The text is illegible due to blurriness)

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

NASDAQ NATIONAL MARKET

3pm prices December 28

Table of NASDAQ National Market prices listing various stocks with columns for stock name, price, and change.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

Advertisement for Financial Times: 'Your FT hand delivered in Norway'. Text describes the benefits of a subscription, including free delivery to business centers in Bergen, Oslo, and Stavanger. Contact information for Kari Berg at Narvesen Info Center is provided.

Advertisement for Free hand delivery service: 'Free hand delivery service for all subscribers who work in the business centres of LISBOA AND PORTO'. Contact information for Roberto Alves is provided.

AMERICA

Dow stagnates as signs of higher inflation hit bonds

Wall Street

EXTREMELY slow trading left most equities virtually unchanged on Wall Street yesterday in spite of a big drop in bond prices, writes Anatole Kladys in New York.

With many investors still away on their Christmas holidays, equity prices drifted within a narrow range, maintaining most of the unexpected gains recorded late on Friday when the Dow Jones Industrial Average had jumped by 20.26 points.

Yesterday, the Dow closed 2.14 down at 2,709.25 on very low volume of 78m shares. The market's lack of direction was revealed by the figures for the number of advances and declines, which were fairly evenly balanced with 695 issues up and 676 down.

Trading was more decisive in the bond market, where early losses were extended throughout the day, so that the Treasury's benchmark long bond closed at 10 1/4, 1 1/2 down on the day.

The bond market's gloom seemed to reflect a combination of factors, including the sharp fall of the dollar in Tokyo trading over the weekend and weather-related portents of higher inflation from the commodity markets.

These included a limit-up surge in orange juice futures as well as further big price gains in crude oil and heating oil. The jump in orange juice futures was in response to frigid weather in Florida over the weekend.

Oil prices climbed not only because of the weather, but also in reaction to an explosion at the Exxon refinery at Baton Rouge on Sunday.

In the stock market, Exxon lost 3/4 to \$50 1/4 on news of the explosion, but most other energy stocks were little changed.

explosion, but most other energy stocks were little changed. Airlines retreated in response to the higher oil prices, with AMR down \$1 at \$69. UAL was an exception to this general trend, showing a gain of 6 1/2 to \$169 1/2 as hopes persisted of a restructuring or buy-out.

The day's most active trading was in Bank of New England, down 3/4 at \$7 1/4 after it suspended its dividend on Friday.

Retailers mostly did well in response to press reports that Christmas sales receipts were up by between 4 and 5 per cent over last year. Sears advanced 3/4 to \$37 1/4 and May Department Stores rose 3/4 to \$45 1/4.

Blue chips generally showed few changes. IBM fell \$1 to \$94 1/4, while General Motors advanced 3/4 to \$42 1/4. Consumer goods stocks fell back, with Coca-Cola losing 3/4 to \$7 1/4 and Philip Morris off 3/4 to \$40.

China brings Hong Kong some end-of-year cheer

John Elliott on a change of pattern in the market

AT THE END of a year in which China had brought only bad news to Hong Kong's nervous stock market, the pattern changed with a Chinese initiative just before Christmas.

The announcement that the Peking-controlled China International Trust and Investment Corporation is negotiating to buy between 10 and 20 per cent of Cable and Wireless's Hong Kong Telecommunications, for up to HK\$10bn, brought festive cheer to a market which had been struggling bravely to show some cause for celebration.

Now, the news could help boost trading in the traditional rally period running up to Chinese New Year at the end of next month, when the troublesome Year of the Snake gives way to the more bland Year of the Horse.

The proposed share purchase by CITIC's Hong Kong offshoot was announced after trading hours last Thursday. The next day, before closing for Christmas, the Hang Seng index rose by 63.33 to 2,921.02 and broke through the symbolic 2,900 barrier in the process.

That is the highest level since the June crisis in China brought the index tumbling from a high of 3,309.64 on May 15 to a low of 2,693.61 on June 5.

Brokers saw the proposed purchase of a significant stake in one of Hong Kong's leading utilities as an important statement by Peking of faith and commitment to the colony's economic future in advance of the 1997 return to Chinese sovereignty. They largely ignored the alternative interpretation that Peking is gradually buying its way into positions of influence or control of significant parts of the colony's economy well before 1997.

CITIC, which already owns 20 per cent of Cable and Wireless, is now negotiating to enlarge that stake so that it has a significant vote in the colony's utility business. It already has a stake, bought from Cable and Wireless, in the telecommunications company of Macao, the nearby Portuguese enclave.

On the stock market, companies are continuing to cash in their low share values. Price earnings multiples are about 10, which is about half the ratings of other regional markets.

A market boost is likely within a few months, with news from the Hongkong and Shanghai Banking Corporation. The shares have been extremely active for the past three months since Mr William Purves, the chairman, revealed that he was considering publishing the bank's substantial hidden reserves.

This might happen when the interim results are published in March and would lead to a revaluation of the shares. A decision is also expected within the next 12 months about whether the bank is to enlarge its stake in the UK's Midland Bank, in which it is a minority shareholder.

Politically, the colony is slowly emerging from the gloom of the summer, although a tough line to be adopted in the next couple of months by Peking over its post-1997 Basic Law may hit confidence. When the law is completed, however, it will remove some uncertainty, as will the eventual resolution of the UK Parliament's position on the issue of British passports.

Unless there are more destabilising shocks from China, that could help the market recover in the Year of the Horse, although no analysts are yet prepared to forecast when it might regain its all-time high of 3,948, achieved just before the 1987 world market crash.

Old Electric, second in volume with 19.5m shares traded, closed at Y1,940. Even Dalin Industries, an industrial machinery maker which was previously found to have violated Cocom rules, gained Y90 to Y2,170 in active trading.

Sharp, the consumer electronics maker, was pursued on speculation of Cocom restrictions on high-technology exports to communist countries.

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Roundup VOLUME WAS higher than expected in the run-up to the new year holidays, with those markets that were open mostly moving higher.

SINGAPORE stayed firm in the strength of its profit and technology prospects, in which it is a leader, topping the volumes list with 21.2m shares and gaining Y50 to Y1,860.

Malaysian stocks such as Proton, which topped the most active list and closed 3.5 cents higher at 87.5 cents.

TAIWAN, which saw its weighted index rise 207.96 on Saturday, rose another 296.68, or 3 per cent, to 9,145.38. It was closed on Monday for Constitution Day. Volume was 1.1bn shares and NSE24bn, up from 878m and NT\$98bn.

MANILA finished higher across a broad front as the market continued its recovery from a 24 per cent drop in one week earlier this month after the failed political coup. The composite index rose 56.89, or 5.3 per cent, to 1,131.85.

SEOUL saw active trading as the composite index lost 23.27 to 909.72 on the last trading day of 1989.

Chicago's Magic Kingdom cleans up its act

Deborah Hargreaves on changes taking place in the world's biggest futures markets

IT IS a world of make believe, where money grows on trees, dreams become reality, a Disneyland for adults. This is how Mr Mark Ritchie, a long-time trader who heads Chicago Research & Trading, describes the city's futures exchanges in his autobiography, God in the Pits.

Futures trading, with its fast-litigating image, has turned Chicago, its birthplace, into a mecca for speculators eager to make a fast buck.

But the city's futures exchanges have just completed a year of battling controversy on all fronts. If allegations by federal prosecutors turn out to be true, the spires of Chicago's Magic Kingdom have long been riddled with dry rot.

The "feds" recently indicted two more futures traders on charges of fraud and trading abuse after a two-year undercover probe into malpractice in the world's largest futures exchanges. The trials of 46 traders charged in the summer are soon to start.

The FBI probe has cleared Chicago's markets with the brush of fraud as prosecutors' allegations paint a picture of futures schemes bent on cheating hundreds of customers out of their nervous profits. As the way for reform in the windy city, Chicago's exotic way of trading is under siege.

The indictments, which prosecutors are adding to as part of a continuing investigation, list a whole range of ways traders are alleged to have kept customer orders from the open market - a cardinal sin in commodities trading. Some involve traders scratching out private, the charges allege, others pre-arranged trades, completed trades after the market's close and traded ahead of large customer orders they would sway the market.

Many of the allegations involve traders scratching out profit within seconds as all traders are forced to pay for any mismatched or "out-trades" at the end of the day.

As the exchanges struggle to harness the polymorphous monster they have created, it grows ever bigger, volume at the Chicago Mercantile Exchange this year was almost a third higher than last year's 78m contracts. Users of the futures markets are not naive. Although the probe has broken the tacit agreement between customer and broker that the



Tom Donovan (right), with Karsten Mahlmann, CFTC chairman: "The open outcry system is proven to be the best in the world"

market user will be cheated now and again, customers have not shied away from futures.

"My customers overseas are more concerned about the overall price protection they get from the markets than the quarter of a cent they will be ripped off," he says and there, he says, have been incorporated into the cost of doing business," says Mr Dan Markey, president of Agri Analysis in Chicago, who advises users in Australia and the Philippines.

Archer Daniels Midland, is believed to have triggered the FBI probe in the first place. Although ADM will not comment on the probe, the company's futures wing trained some of the FBI's undercover men to pose as traders.

In an era of global competition, fraud is a tax on the customer and as Chicago fights to hold on to its lead in the world industry, its markets should be as efficient as possible.

It is this efficiency that Chicago's futures exchanges are underlining in their bid to convince Congressmen not to get carried away with regulation. They fear that overburdened rules could force hustlers to competing markets overseas.

In a bid to grasp the initiative, the exchanges have announced their own efforts to clean up their act. They are instituting tighter policing measures which were suggested by industry regulators years ago but overlooked by exchange hierarchies intoxicated with rapid growth.

Tighter oversight of the industry is inevitable as the House and Senate debate a wide-ranging and complex market reform Bill that is expected to become law early next year. The Bill will beef up the surveillance powers of the industry regulator, the Commodity Futures Trading Commission (CFTC), but threatens to remove its jealously-guarded jurisdiction over stock index products.

As part of the debate on program trading that will be resuscitated by the "mini-crash" of October 19, futures markets have come in for a further round of finger-pointing. Chicago has been forced to defend the strategy against a bulk of hostile opinion since the New York Stock Exchange imposed wide restrictions on the practice.

Congress is intent on busting open the image of Chicago's exchanges as private clubs and is pushing for more outside participation on exchange boards. Many users would agree. In July, the Chicago Board of Trade declared an emergency in the exchange's soybean futures contract. Farmers are now suing CFTC directors, claiming that they illegally manipulated prices for their own benefit and that of clients. It would help to dispel fears such as these if an equal number of users as brokers sat on exchange boards.

The sacrificial lamb of the FBI probe appears to be the practice of dual trading which is widespread in the futures industry. The CFTC has now said it will ban the practice in a bid to show its teeth as a regulator. Congress had planned to restrict the practice until exchange audit trails could be improved.

Dual trading allows brokers to trade for themselves and customers at the same time, with the inevitable conflicts of interest that creates. However, exchanges argue that the practice is a means of providing liquidity and does not of itself foster trading abuse.

Exchange audit trails were first put in to track dual trading and are now useful surveillance tools. But the CFTC believes that some trading abuses are almost impossible to spot, even with the improved audit procedure.

By far the most significant step Chicago has taken in a bid to restore its market integrity is a rare joint initiative by the city's two exchanges, the CBT and CME have earmarked \$5m to develop a system of hand-held computer terminals, which will enable traders to punch in trades as soon as they occur rather than writing them down in pencil.

Exchange officials herald the automated data input as a way to marry the computer with open outcry in a bid to preserve their archaic system of trading. "The open outcry system is proven to be the best in the world and this will make it more efficient by providing the confidence people need," believes Mr Tom Donovan, CBT president.

The move towards hand-held terminals comes as both exchanges are working to develop a computer system for trading on-screen when Chicago's floors are closed. It takes Chicago one step further towards moving on-screen altogether.

"We've passed the stage of trying to improve this 1930s style of trading and we have to think of alternative methods... to be more creative in our ways of trading," says Mr Tom Donovan, a prominent commodities lawyer at Cadwalader, Wickersham and Taft in New York, who was also counsel to the CFTC.

Screen trading would provide a more accurate audit trail with the advantages of on-line clearing and settling trades. It would further reduce the cost of trades - often costly mistakes that traders resent having to pay for. However, it could throw up additional oversight problems such as computer security.

Computer trading has not been an unqualified success when tried elsewhere in the futures industry. But with the unparalleled resources and liquidity in Chicago, the exchanges should be able to come up with a viable system. However romantic and colourful it may be, the days of open outcry may be numbered.



Hang Seng Index 3500 3000 2500 2000 Jan 1989 Dec

which returns to China in 1999. It is also likely to be considered other purchases.

Hong Kong's stock market is highly sensitive to China and has had little to cheer about since the June crisis, with China's political and economic problems, plus a decline in Hong Kong's own economic activity. The colony has achieved only a 3 per cent gross domestic product growth this year, according to government forecasts, and this could fall in the coming year.

But the lower end of the property market is buoyant, reflecting investment by ethnic Chinese, and the Government is pressing ahead with HK\$127m infrastructure plans which should boost economic activity within a couple of years.

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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday December 22, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table with columns for COUNTRY, 5 STG, US \$, D-MARK, YEN (x100), and corresponding values for various countries including Alpha, Beta, Gamma, Delta, etc.

Special Drawing Rights December 21, 1989 United Kingdom £1,233.36 United States \$1,309.98 Germany West 0 Mark 2,236.31 Japan Yen 167.66 European Currency Unit Dec 22, 1989

Abbreviations: (a) Free rate; (b) Business rate; (c) Commercial rate; (d) Financial rate; (e) Essential imports; (f) Financial rate; (g) Special rate; (h) Selling rate; (i) Special rate; (j) Special rate; (k) Special rate; (l) Special rate; (m) Special rate; (n) Special rate; (o) Special rate; (p) Special rate; (q) Special rate; (r) Special rate; (s) Special rate; (t) Special rate; (u) Special rate; (v) Special rate; (w) Special rate; (x) Special rate; (y) Special rate; (z) Special rate; (aa) Special rate; (ab) Special rate; (ac) Special rate; (ad) Special rate; (ae) Special rate; (af) Special rate; (ag) Special rate; (ah) Special rate; (ai) Special rate; (aj) Special rate; (ak) Special rate; (al) Special rate; (am) Special rate; (an) Special rate; (ao) Special rate; (ap) Special rate; (aq) Special rate; (ar) Special rate; (as) Special rate; (at) Special rate; (au) Special rate; (av) Special rate; (aw) Special rate; (ax) Special rate; (ay) Special rate; (az) Special rate; (ba) Special rate; 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